U.S. Department of State
FY 2001 Country Commercial Guide: Philippines

The Country Commercial Guide for Philippines was prepared by U.S. Embassy Manila and released by the Bureau of Economic and Business in July 2000 for Fiscal Year 2001.

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I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at the Philippines' commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.

Real Gross Domestic Product (GDP) of the Philippines grew 3.2% in 1999, led by the agricultural sector's 6.6% growth, in contrast to 1998's weather-related 6.6% output losses. The Embassy projects a real GDP growth rate of 3.5 to 4% for 2000. The accelerating revival of manufacturing will compensate for the expected slower agricultural growth. The Philippines recorded in 1999 its first merchandise trade surplus ($4.3 billion) in over two decades on the back of the region's best export growth. Full year merchandise export receipts were up 18.8% over 1998, but are expected to return to more "normal" levels in 2000. U.S. exports to the Philippines, which represented one-fifth of total Philippine imports, increased 7.3% in 1999.

The value of the peso has slowly declined in 2000, due more to erosion of consumer confidence than to economic fundamentals. An eruption of the Mindanao insurgency in the first half of 2000 and a rash of bombings in Manila and other urban centers have contributed to the growing sense of pessimism. By mid-July, 2000, the peso reached a 23-month low of 44.3 to the US dollar. This weakness in the local currency will inevitably hurt U.S. exports to the Philippines. On the brighter side, inflation has remained under control in the 5-6% range.

Improving longer-term fiscal stability remains among the Philippines' most important challenges. Weak public finances impede investments in much needed infrastructure and the delivery of essential services, which could affect the country's competitiveness in the rapidly globalizing world economy. The challenge now for the Philippines is to lay a firm foundation for ensuring steady growth and attracting more direct foreign investment. Progress in investment liberalization has been substantial and is proceeding despite sometimes-contentious opposition by "nationalist" blocs and vested interests. In the first six months of 2000, the Philippine Congress passed legislation opening the retail trade sector and the corn and rice milling business to foreign investment and substantially easing restrictions on foreign ownership of banks. A provision in the new E-Commerce Act may also open the door to foreign investment in cable infrastructure. Congress is also finalizing legislation to restructure the power sector and privatize the government owned National Power Corporation.

American firms are continuing to recognize the attractiveness of this market. The Philippines has a natural competitive advantage in its abundant supply of skilled and semi-skilled, English-speaking workers. This has attracted companies who seek to relocate back office operations, operate call centers, and perform accounting, software development, engineering, and electronic publishing from higher cost locations. There is an accelerating flow of direct foreign investment in these and other shared services operations. Texaco recently invested $1.4 billion in the Malampaya natural gas development project that has been spearheaded by Shell Philippines Exploration Corp. U.S. exports to the Philippines grew by 7.27% in 1999 to $7.23 billion, and increased another 15% in the first quarter 2000, making the Philippines our 19th largest export market overall.

Leading U.S. export sectors over the near-term are: (1) information technology with a focus on Internet/E-commerce; (2) telecommunications equipment; (3) electric power systems; (4) building; (5) construction equipment; (6) water resource equipment/services; (7) pollution control equipment/ services; (8) food processing and packaging equipment; (9) hotel and restaurant industry equipment; and (10) medical equipment. Sectors offering the greatest investment potential for U.S. firms are: Information Technology; retailing; and franchising.

II. ECONOMIC TRENDS AND OUTLOOK

A. Major Trends and Outlook

The economic fundamentals in the Philippines are improving. Output is up, exports are growing, and the revival in manufacturing is accelerating. The economy — spurred in 1999 by a "pump-priming" government budget and agriculture's rebound from 1998's drought-induced losses — grew 3.4% year-on-year during the first quarter of 2000 and seems headed for a broader-based expansion. Achieving the government's full-year 2000 4%-5% GDP growth target will depend largely on the strength of the private, non-agricultural sector as the government works to reduce its fiscal deficit and agriculture reverts to a more normal growth pattern. Year-on-year consumer price inflation, which averaged 3.3% from January-May 2000, will likely accelerate on stronger demand and adjustments in fuel and utility rates but should remain within the government's 5%-6% full-year target range. Interest rates are at pre-crisis levels despite occasional pressures triggered by foreign exchange-related disturbances and fiscal uncertainties.

The banking sector is generally sound and well-capitalized despite higher levels of non-performing assets. During the first half of 2000, President Estrada signed into law an updated general banking act, a less restrictive retail trade law, and electronic-commerce legislation. Significant progress has been made on other legislation which will move the economy forward -- such as power sector, securities market, and investment incentive reforms. Continued trade and tariff reforms that further open Philippine markets to the global economy are needed, as are steps to further lower barriers to foreign investment. A positive economic performance for the year will, hopefully, give the Estrada administration breathing room to implement additional reforms needed to continue current positive trends.

Despite this upbeat near-term assessment, the government faces significant challenges to make the recovery sustainable, including a sometimes deafening array of background noises such as stock market scandals and perceptions of political instability. The challenge for the government is to strengthen the foundations of the economy so it can sustain growth of over 5% — probably the minimum needed to make significant inroads in poverty reduction. Structurally weak public finances and a bloated bureaucracy constrict the economy's ability to grow by severely limiting the resources needed to address urgent needs such as infrastructure, health and education. Inadequate revenues and a low domestic savings rate make it especially imperative for the Philippines to maintain an environment conducive to continued investment, but several issues cloud the investment horizon. An aviation dispute with Taiwan has cut into tourist arrivals from that country, as well as impacted on the electronics industry by raising costs and lengthening delivery times for components and finished products shipped between Taiwan and the Philippines. Local electricity costs are the second highest in the region (next to Japan) — an issue which pending legislation to restructure the power sector hopes to address. Foreign investors are also deterred by perceptions of instability, policy drift, and weak public and corporate governance. The agricultural sector, which supports more than half of the population directly and indirectly but contributes barely 20% of real GDP, is in urgent need of reform. The sector's low productivity has hampered its ability to efficiently supply industry with needed inputs; at the same time, low rural incomes limit the otherwise higher growth potential that could be spurred by a stronger consumer base.

B. Principal Growth Sectors

The Medium-Term Philippine Development Plan (MTPDP) 1999-2004 focuses on rural development, particularly the modernization of agriculture, to reduce poverty. In 1999, agriculture employed 40.1 percent of the Philippine labor force and produced 19 percent of gross value added. The MTPDP targets agriculture to grow from 3.1 to 3.9 percent in 1999-2004, industry by 4.5 to 5.4 percent, and services by 5.1 to 6.0 percent.

According to the MTPDP, policies in the agriculture sector will be supported by policies to develop infrastructure in the countryside. The government plans to pursue deregulation and privatization programs to enable the private sector to improve basic infrastructure services such as power, water, transportation services (including rail-based systems) and telecommunications. The government also plans to develop the infrastructure in the rural areas, such as farm-to-market roads, feeder roads, irrigation, ports, bridges and rural water supply systems.

C. Government Role in the Economy

Prices of goods and services are generally determined by free market forces, although basic public utilities (such as transport, water and electricity) are subject to government control or oversight. Government regulation of prices of petroleum products ended in July 1998 with the full deregulation of the oil industry under the "Downstream Oil Industry Deregulation Act of 1998", but the issue remains politically and socially sensitive. In response to public resistance to oil price increases, the government has sometimes stepped in to apply "moral suasion" on oil companies to keep price increases to a minimum (resulting in alleged cost "under-recoveries").

The previous administration of President Fidel Ramos privatized a wide range of public sector-controlled firms and activities, including water distribution services in Metropolitan Manila. President Estrada has repeatedly vowed to continue and expand his predecessors' deregulation and liberalization policies, but many observers assert that the pace of reform has slowed. Vested interests and nationalist blocs continue to pose serious obstacles to further liberalization. Because of limited financial resources, the Government has relied on the private sector to undertake vital infrastructure construction, maintenance and rehabilitation work under Build-Operate-Transfer (BOT) arrangements. As of mid-2000, Congress had passed legislation liberalizing market access for foreign banks and retail businesses, and was in the final stages of debating legislation to create a competitive market for power generation and retail supply and pave the way for the privatization of the heavily-indebted National Power Corporation.

D. Balance of Payments Situation

The Philippines recorded in 1999 its first merchandise trade surplus ($4.3 billion) in over two decades on the back of the region's best export growth. Full-year merchandise export receipts were up 18.8% over 1998. Exports of electronics and peripherals, up 23.5%, contributed nearly three-fourths of the overall expansion in 1999 export receipts. Imports increased only 4.1% ($1.2 billion) on stronger demand during the second half of the year, but about a third of the increase reflects a larger oil import bill due to higher crude oil prices. The current account surplus widened to a record $7.2 billion. The capital account posted a modest $590 million surplus — not much higher than 1998's despite larger net inflows of medium- and long-term loans — as net foreign investments contracted by $500 million and the short-term capital recorded substantially bigger net repayments. The Philippines' overall balance of payments (BOP) nevertheless ended 1999 with a surplus of $3.8 billion, nearly triple the 1998 level.

Estimates for the first quarter of 2000 showed export receipts up 9.6% over the first quarter of 1999, a sharp deceleration from the fast export growth seen in 1998 and 1999. Some slowdown in electronic exports was expected after high late-year 1999 levels (spurred by Y2K-related supply disruption fears), but the slowdown may also herald a return of export growth to more "normal" levels. First quarter imports rose 7.7% year-on-year and are generally expected to pick-up further with the economy's broader-based recovery. The resulting trade surplus was $731 million, up 36% over the first quarter of 1999. Still, the Philippine faces a substantially narrower BOP surplus this year. Preliminary estimates — computed from the change in the Bangko Sentral's net international reserves — placed the country's overall BOP position at $402 million as of May 2000, smaller than 1999's $2.7 billion five-month level. The government's 2000 financing program calls for lower foreign borrowings than in 1999 as the government pursues a smaller fiscal deficit, while the weak flow of foreign investments will depend on boosting investor confidence. Over the longer-term, BOP vulnerabilities remain, including the susceptibility of overall export performance to reversals in world electronics demand. Moreover, the recent years' respite from successive trade and current account deficits reflected, in large part, the dampening effect on imports of weak economic growth.

The Philippines' three-year $1.4 billion standby arrangement with the International Monetary Fund (IMF) should have concluded in March 2000. The Philippines failed to exit from the arrangement, mainly because of the national government's large fiscal deficit. The Philippine and the IMF agreed to extend the program to June and is likely to be extended further to December. The extension will give the government more time to improve its fiscal performance, complete committed reforms (such as the privatization of a partially government-owned commercial bank and the passage of legislation to restructure the energy sector), and draw the remaining US$645 million under the arrangement. While the Philippines also continues to receive assistance from bilateral and multilateral foreign donors, many donors have expressed concerns about the government's weak implementation record.

E. Infrastructure

For the past several years, the Philippine government goal to fast-track major infrastructure development through active private sector participation has been quite successful. Notable successes include the greenfield projects of bulk power generation, the concessioning of Manila's water supply and sanitation systems, and the long-term leasing of Manila's container terminal facilities. In the transportation sectors, several private toll roads are under construction or about to become operational and a consortium of local and international investors has been awarded the right to build a major international terminal airport at the Ninoy Aquino International Airport. The government, through the Department of Transportation and Communications, is also pursuing a concessioning program for the Metropolitan Rail Transit Authority.

The government through its Flagship program has also fast-tracked the implementation of critical public investment projects and strategic infrastructure projects, which are key components of the government's priority infrastructure programs.

The Estrada government will continue to improve basic infrastructure in the rural areas such as farm-to-market and feeder roads, feeder ports, irrigation, rural water supply and electrification. As part of the government's commitment to the less privileged citizens, infrastructure investment will be focused on regional growth centers to stimulate development in the countryside. Further, infrastructure development will be closely interfaced with agri-industrial development and environmental management. The President's programs for agriculture include the implementation of the Agricultural Modernization Program in order to fulfill his campaign promise to promote food production and lower the cost of prime commodities.

The Philippines relies extensively on multilateral development banks and bilateral concessionary loans and grants to plan and build major infrastructure projects. Both the World Bank and the Asia Development Bank have extended loans for sectoral projects such as airports. The Japan Bank for International Cooperation (JBIC) and the Special Yen Package have captured the bulk of the infrastructure projects particularly in the transportation sector. The U.S. Trade Development Agency (USTDA) and the U.S. Agency for International Development (USAID) are also actively involved in infrastructure development through providing grants to finance feasibility studies.

The government will continue to encourage private sector participation to accelerate financing, construction, and operation of major infrastructure projects in power, water, roads, transportation, and telecommunications.

F. Regional Economic Integration

The Philippines has reiterated its commitment to meet its ASEAN Free Trade Area (AFTA) preferential tariff reduction commitments for trade within ASEAN. The ASEAN Free Trade Area (AFTA) calls for a Common Effective Preferential Tariff (CEPT) for most products and among most member states of 0-5% by the year 2002. As agreed at the sixth ASEAN Summit in Hanoi in December 1998, by the year 2000, 85% of tariff headings in each country's Inclusion List should be at 0-5% tariff rates; by 2001, 90%; and by 2002, all tariff headings in the Inclusion List should be at 0-5% (including, in principle, Temporary Exclusion List products, both manufactured and unprocessed agricultural products). The Philippines has stated its commitment to this objective, but the country's progress in implementation of CEPT rate reductions is, by some measures, somewhat behind that of most of its ASEAN partners. In order to meet its commitment, the Philippines will need to accelerate its CEPT tariff rate reduction schedule and integrate temporarily excluded and other sensitive products into the Inclusion List. Philippine officials say they are working toward that end.

The six original ASEAN members had an obligation to integrate all items on their AFTA Temporary Exclusion List into the CEPT Inclusion List by the year 2000. The Philippines has indicated informally that it may seek to defer the inclusion of certain sensitive products, including petrochemicals and auto components, but as of June 2000, it had yet to make a formal request to do so. The Philippines has also stated that it is considering excluding these and a few other sensitive products from a commitment agreed at an ASEAN Informal Summit in November 1999 for the complete elimination of duties on intra-ASEAN trade by 2010.

Philippine participation in the ASEAN Investment Area will not provide any significant market access improvements for U.S. investors in the Philippines, at least in the immediate to medium term. While the objective of the AIA is to accord ASEAN investors national treatment for investments made in ASEAN countries, this benefit is limited by the ability of member countries to take exemptions from this commitment. Each member may file a Temporary Exclusion List (TEL) and a Sensitive List, listing areas or policies where restrictions will remain and national treatment will not be accorded. Items on the TEL are supposed to be "fully open" (i.e., no restrictions) to ASEAN investors by January 1, 2003. There is no common definition of "ASEAN investor"; each country will continue to apply its own definition. The Philippine AIA commitments include nothing that promises changes in existing legislative or Constitutional restrictions on national treatment. Manufacturing is the only sector for which ASEAN countries have filed lists of exemptions, but, from a practical standpoint, the Philippines does not maintain restrictions on investment in this area.

III. POLITICAL ENVIRONMENT

President Joseph Estrada was elected with 40% of the vote in May 1998 from a field of six candidates. Senator Gloria Macapagal-Arroyo, who was supported by a different political group, was proclaimed Vice President, but promptly jointed the Estrada administration as Secretary of Social Welfare and Development. Estrada designated poverty alleviation, increased agricultural production, and combating crime his highest priorities. He continues to follow through on economic reforms set in motion by his predecessor. President Estrada enjoys the support of a coalition majority in both the House and Senate, where some progress is being made on key pieces of economic reform legislation.

The Philippines has a presidential form of government patterned after that of the U.S., with separation of powers among the executive, legislative and judicial branches. Although the President and his administration traditionally set the political agenda, the Philippine legislature plays an active role in policy formation and implementation. Although some import-sensitive manufacturing industries have become more vocal in lobbying for protection of their industries, the Estrada administration appears to be committed to liberalization.

Philippine-style democracy thrives at all political levels and is marked by individual loyalties and an interlocking system of personal relationships. National elections to elect half the Senate and all congressmen, provincial governors, mayors and other local government officials will take place in May 2001.

On the domestic security front, the Estrada administration's main internal security problems are a Muslim separatist movement in central Mindanao and a nagging communist insurgency in remote areas throughout the country. The government opened formal peace talks in October 1999 with the last major-armed separatist group in Mindanao, the Moro Islamic Liberation Front (MILF), but progress is slow and positions remain far apart. An upsurge in fighting between government forces and MILF rebels in central and western Mindanao has marked the first half of 2000. The thirty-one year old communist insurgency still causes sporadic violence. The main communist faction broke off peace talks in 1999 over the U.S.-RP Visiting Forces Agreement (VFA).

Since 1992 (the post-bases era), the U.S.-Philippine relations have matured and broadened, focusing more prominently on economic and commercial ties while maintaining the importance of the security dimension. U.S. investment has increased over the last few years and continues to be a mainstay of the Philippine economy. Meanwhile, a strong security relationship rests on our bilateral Mutual Defense Treaty and the U.S.-RP Visiting Forces Agreement (VFA). The VFA, which went into effect on June 1, 1999, has allowed the resumption of normal military cooperation, including large-scale exercises and ship visits. Though U.S. aid to the Philippines has taken on a less prominent role than in the past, assistance programs continue, including the highly successful Growth with Equity in Mindanao (GEM) program, which promotes development efforts through private enterprise in a troubled part of the country. Longstanding historical and cultural links along with extensive family and personal ties buttress the bilateral relationship.

IV. MARKETING U.S. PRODUCTS AND SERVICES

A. Establishing a Local Office

A business enterprise must comply with the following requirements before it can start operations: (Refer to PEZA information in Chapter VII)

1. Apply for registration of the business name with the Bureau of Domestic Trade;

2. Register with the Securities and Exchange Commission if a partnership or a corporation;

3. Apply for a Barangay (i.e., precinct or ward) permit and Mayor’s permit to operate in a chosen locality of business; secure municipal license (Export Processing Zone Authority enterprises excluded);

4. Register with the Bureau of Internal Revenue to obtain Tax Account No., Value-Added-Tax Registration No., and individual residence certificates for owners/incorporators;

5. Register employees with the Social Security System, Medicare, and Department of Labor and Employment. The essential forms of business organization in the Philippines are sole proprietorships, partnerships, and corporations. Other less common business forms include joint stock companies, joint accounts, business trusts, and cooperatives. A foreign entity, depending upon the nature of its intended activity in the Philippines, may establish and register any of the following: a branch, a subsidiary, a licensing and franchising agreement, a joint-venture agreement, and a regional headquarters.

B. Creating a Joint Venture/Licensing

Joint Venture

A common method for enterprises embarking on business operations in the Philippines is through joint ventures with local enterprises. Philippine laws on joint venture corporations limit the foreign entity's equity participation to 40%. The new Estrada Administration is proposing to liberalize this ceiling.

Licensing

The Documentation, Information and Technology Transfer Bureau of the Intellectual Property Office, an attached agency of the Department of Trade and Industry, is the government office mandated to register licensing/technology transfer agreements.

Effective January 1, 1998, the Philippine Government no longer requires submission of licensing/ technology transfer arrangements for approval and registration by the Intellectual Property Office. However, to ensure compliance with Sections 87 and 88 of the Intellectual Property Code, voluntary submission is strongly encouraged since non-conformance with Section 87 on Prohibited Clauses and Section 88 on Mandatory Provisions automatically renders the arrangement unenforceable.

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

C. Use of Agents/Distributors

Agent/distributor arrangements are common in the Philippines. Given Filipino affinity for American products, Filipino companies generally are eager to pursue discussions once they have examined a U.S. firm's product literature and have determined that there is a market for the product. U.S. manufacturers and their Filipino agents/distributors are bound by a contract which should contain the following key elements:

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

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

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

There are no Filipino laws that impede termination of an agent/distributor contract, should either party wish to do so. Contracts usually specify that 30 days' notice must be given in the event of cancellation. Standard agent's commission is 5% but can vary somewhat.

There is no typical profile of a Filipino agent or distributor. Firms can range in size from small (fewer that 25 employees handling only a few specialized products on behalf of a limited number of manufacturers) to large trading companies handling a wide range of products and suppliers. Some Filipino firms focus only on the Metro Manila area, whereas others also service provincial commercial centers such as Cebu, Davao, Iloilo, and Baguio. Any Filipino agent/distributor should be registered with the Philippine Securities and Exchange Commission. U.S. firms selecting a Philippine representative should consider, along with the usual factors, the following: (a) whether the distributor has sufficient financial strength to maintain appropriate stock, provide effective after sales service, and allow competitive payment terms; and (b) whether the representative's geographic sales area includes the increasing rich markets in central and southern islands of Cebu and Mindanao. U.S. firms seeking agents or distributors in the Philippines are encouraged to use the services of the U.S. & Foreign Commercial Service, Manila, such as the "Agent/Distributor Service (ADS)" or the "Gold Key Service (GKS)."

D. Finding a Local Partner and Attorney

It is usually advisable to have contracts and agreements executed in the Philippines so that the laws of the Republic of the Philippines will govern the interpretation of these documents, and in the event of litigation the venue will likewise be the Philippines. However, litigation in the Philippines is frequently subject to lengthy delays, so it may be advisable to consider expressly providing for arbitration of contractual disputes. U.S. Embassy American Services Branch (ASB) authenticates legal documents notarized by Embassy accredited Philippine lawyers.

The use of a local attorney and accountant is highly recommended for U.S. firms who wish to establish an office in the Philippines. These professions can also facilitate access to the various government offices involved. For firms maintaining operations in the Philippines, it is advisable to retain a local attorney and accountant. Leading law and accounting firms, some of which are members of the American Chamber of Commerce in the Philippines, also provide good business and commercial advice. A list of lawyers and accountants is available from the U.S. Embassy.
(Please see IV-C: Use of Agents/Distributors)

E. Checking the Bona Fides of Banks, Agents, Business Partners, Contractors and Subs, and Customers

U.S. companies may contact the following companies:

Asian Risk Management
Unit 1804 Echelon Tower
2100 A. Mabini St.
Malate, Manila 1004
Phone: (632) 525-2628
Fax: (632) 525-6468

E-mail: rheafner@ibahn.net
Contact: Robert L. Heafner, President

Credit Information Bureau, Inc.
2nd Floor, PNB Financial Center
Roxas Boulevard, Manila
Phone: (632) 551-6810 to 15; 526-3604
Fax: (632) 526-3603; 526-3566
E-mail : cibi-info@cibi.com.ph
Contact: Cayetano Paderanga, Jr., President
Amelia Ocampo, Vice President-Marketing

Leverage International (Consultants) Incorporated
CPO Box 3395 Makati
8/F Ste. 84 Legaspi Suites
178 Salcedo St., Legaspi Village
Makati City 1229
Phone: (632) 810-1389; 818-6828; 813-2473
Fax: (632) 810-1594; 813-2473
E-Mail : lvrge@netasia.net
Website: www.leverage-international.com
Contact: Cecilia A. Sanchez, Chair & Chief Executive Officer

Receivables Integration Systems, Inc.
2nd Floor, Transphil House, Chino Roces Avenue
Makati City
Phone: (632) 890-7563; 897-2656; 896-1095; 897-2577; 897-2523
897-2518; 897-2620; 897-2659
Fax: (632) 890-7655
E-Mail : risi@pacific.net.ph
Contact: Jaime Ladao, Chairman
Marissa Acain, Marketing Director
Remarks: An associate of Dun and Bradstreet International

F. Distribution and Sales Channels

Philippine distribution and sales channels vary from product to product. Stocking distributors import consumer goods for resale to retailers. Capital equipment imports usually go through an agent or distributor before reaching the end-users. Some end-users, however, import directly. The use of local agents or distributors affects greatly the chances of the company selling the product or winning the project as agents are important market links. It is the agent who can monitor on a regular basis the development of the bidding process as well as the procurement opportunities. It is important that U.S. suppliers support their Philippine representatives through frequent contacts, regular training and promotional assistance.

If the customer imports directly from foreign suppliers and opens the L/C, the local rep or agent gets a commission for the sale (indent sale). Distributors handle after-sales service support.

There are currently two types of importers in the Philippines— stocking distributors and indentors. During the past years when the interest rates were high, most importers switched from being stocking distributors to becoming indentors. Stocking distributors are bound by a contract to buy and sell the prescribed number of items as stated in the agreement with foreign suppliers. Indentors, on the other hand, act as a broker between foreign suppliers and end-user, saving on capital outlays for expensive equipment and avoiding stocking products that do not sell because they are too expensive. Usually, a buyer who orders from an indentor already has the financing for the goods.

Infrastructure projects such as transportation projects are open to internationally competitive bidding. U.S. firms submit their bids directly to the government implementing agency. A local agent is also an effective marketing tool. In selecting local firms as agents, U.S firms should consider whether the local firm is licensed or registered by the implementing agency or has done similar projects.

Despite the presence of a local agent, it is very important that the foreign manufacturers visit the country, especially before, during and after the pre-qualification process. Foreign suppliers must establish a strong personal relationship with the customer.

Metropolitan Manila is the country's nerve center of industrial and financial activity, transportation and communications, trade, and educational services. Approximately 85% of Philippine foreign trade passes through the Port of Manila; 90% of imports enter this Port for distribution to other principal cities via trucks and inter-island vessels. Most of the Philippine's national importers and distributors are in Manila.

Air freight is a recent trend in domestic distribution. DHL, Fedex and UPS all have joint-venture partners to service the growing domestic demand.

Makati City is the central business area in the country and the most prosperous of the Metro Manila suburbs. In addition to small manufacturing plants, there are also a considerable number of distribution centers, trading firms, government offices and commercial banks. Makati City is also a shopping area for higher income residents.

In addition to Manila, the other major interregional centers are Cebu City, Iloilo, Davao, and Zamboanga. Cebu City, the third largest city in the Philippines, is the prime trading center in the southern part of the archipelago. Its hinterland is mainly accessible by boat. Iloilo shares with Cebu the servicing of the country's central area. Davao, the second largest city in the Philippines, enjoys a trade monopoly in Southern Mindanao, due mainly to the presence of land and water connections with nearby provinces. Zamboanga functions partly as an interregional center. Transportation to the hinterland is almost entirely by water since there are only a few roads along the peninsula.

G. Franchising and Direct Marketing

Franchising

Franchising allows a foreign company (franchiser) to "operate" locally by appointing its franchisee. The franchiser collects a fee for the use of its name and trademarks. A franchiser can also earn royalties on sales. Philippine retail laws (Retail Trade, Republic Act 1180) prohibit foreign equity positions in franchises. Nevertheless, many foreign franchises, mostly American, are operating in the Philippines through licensing arrangements.

The government liberalized trade practices by repealing three (3) major intellectual property laws (Patent Law, Trade Mark Law, and Copyright Law) and replacing these with the Intellectual Property Code of 1998. Under the new law, which took effect on January 1, 1998, franchisers do not have to register their franchises as long as their agreements do not contain any of the prohibited clauses under Section 87 and contains all the mandatory provisions under Section 88 of the IP Code. The new law also removed the ceiling on royalties. Royalty payments may be remitted through any Authorized Agent Bank (AAB) of the Bangko Sentral ng Pilipinas (Central Bank).

Master Franchise fees vary from $100,000-$400,000, depending on the type of business. Royalties depend on the agreement between the parties. Higher operating costs such as rent and imported goods, however, still confront franchise operators.

The prohibited clauses under Section 87 are:

- Those which impose upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor;

- Those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured on the basis of the license;

- Those that contain restrictions regarding the volume and structure of production;

- Those that prohibit the use of competitive technologies in a nonexclusive technology transfer arrangement;

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

- Those that obligate the licensee to transfer for free to the licensor the inventions or improvements that may be obtained through the use of the licensed technology;

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

- Those that prohibit the licensee to export the licensed product unless justified for the protection of the legitimate interest of the licensor such as exports to countries where exclusive licenses to manufacture and/or distribute the licensed product(s) have already been granted;

- Those which restrict the use of the technology supplied after the expiration of the technology transfer arrangement, except in cases of early termination of the technology transfer arrangement due to reason(s) attributable to the licensee;

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

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

- Those which restrict the research and development activities of the licensee designed to absorb and adapt the transferred technology to local conditions or to initiate research and development programs in connection with new products, processes or equipment;

- Those which prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor;

- Those which exempt the licensor for liability for non-fulfillment of his responsibilities under the technology transfer arrangement and/or liability arising from third party suits brought about by the use of the licensed product or the licensed technology; and

- Other clauses with equivalent effects.

The following are the mandatory provisions contained in Section 88:

- The laws of the Philippines will govern the interpretation of the same and in the event of litigation, the venue will be the proper court in the place where the licensee has its principal office;

- Continued access to improvement in techniques and processes related to the technology will be made available during the period of the technology transfer arrangement;

- In the event the technology transfer arrangement will provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) or the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC) will apply and the venue of arbitration will be the Philippines or any neutral country; and

- The Philippine taxes on all payments relating to the technology transfer arrangement will be borne by the licensor.

Direct Marketing

Direct marketing or the multi-level marketing approach is an increasingly popular mode of selling products in the Philippines. U.S. firms such as Tupperware, Avon, SaraLee, High Desert, Forever Living, Encyclopedia Britannica, Herbalife, Amway and Sunrider, have established distributorship networks in the country. Recent entries are Golden Neo-Life, Barclay-Elle Marge, Nu Skin, Neways, Futurenet and Mary Kay. The Consumer Code of the Philippines covers the legalities of direct marketing and restricts direct marketing, like franchising, to 100% Filipino-owned corporations. Foreign firms can engage in wholesale activities, however, and then sell to Philippine distributors. The Direct Sellers Association of the Philippines has 27 members. Applications from ten companies are under review.

H. Selling Factors and Techniques

There are several invaluable sales tools that U.S. suppliers should employ in order to maintain market leadership. Number one is exercising due diligence to select local distributors, agents, or representatives, since they are crucial market links. (NOTE: The Commercial Service assists U.S. exporters locate representatives overseas though various programs). After selection, U.S. suppliers must provide full support to their local representatives. U.S. suppliers should visit the Philippines at least once each year to understand market trends and developments; to show support for their local representatives; and to visit customers. Local representatives should make regular customer calls to identify sales targets and opportunities. Training programs for customers and distributors, advertising and product promotion support, and participating in trade fairs, exhibitions and product seminars are also important for U.S. firms to maintain leadership in this highly competitive market.

I. Product Pricing

Typical markups reach an average of 30% of invoice value. The rate allows distributors, wholesalers and retailers to recover expenses incurred in importing an equipment, raw materials or finished goods. The expense account includes import duties, VAT, discounts to customers, commissions to company-employed agents and independent provincial dealers, warehousing fees, shipping charges (some are charged to the importer), and other Bureau of Customs fees.

Retailers explain that most non-food retail items carry a 20% to 30% profit margin.

U.S. products have become more expensive due to the higher exchange rate. Importers suggest longer-term credits. For example, U.S. suppliers should extend a 60-day term to 120 days, or a 90-day term to 180 days so that importers can also extend similar longer credit terms to their clients.

J. Advertising and Trade Promotion

The Philippines is a brand-conscious market. Advertising plays a significant part in promoting the sale of most goods, particularly nondurable consumer goods. Most of the 178 advertising agencies have patterned their organizations after American advertising agencies. Advertising expenditures in 1999 exceeded $800 million, a huge jump from the roughly $700 million spent in 1998. Television took a 63% share, with print (19%) and radio (17%) trailing behind.

There are 530 radio stations, 39 daily newspapers, and 53 consumer magazines in the Philippines. There are various television stations: terrestrial networks/land channels (7);
UHF (5); cable operators (540); and cable channels (70). Seventy-one percent of Philippine households have televisions. There are 44 national daily newspapers, all published in Manila, that provide domestic and international news, as well as an expanding standard medium for advertising. The widest-circulated paper is the Philippine Daily Inquirer. Other widely read newspapers are the Manila Bulletin, Philippine Star, Business World, Manila Times and Manila Standard. The widest circulated tabloids are Abante, People’s Journal, People’s Tonite, Tempo and Balita. Trade journals include Mining & Engineering Journal, The Energy Manager, Computer Times, Computer World, Garments and Textiles Association Journal, Construction Industry Association of the Philippines

Newsletter, Metalworking Newsletter, Philippine Business, Link Magazine (information technology journal), Construction Management, Philippine Electronics and Telecommunications Federation (PETEF) News, Renergy, The Makati Business, The UAP (United Architects of the Philippines) Post, The Electrical Engineer, The Philippine Printer, AgriScope, Philippine Franchise News, Philippine Institute of Chemical Engineer's Journal (PICHE Journal), among others.

K. Sales Service and Customer Support

Next to price, after-sales service and support are extremely important factors to marketing success in the Philippines. It is imperative for U.S. vendors to provide this support during and after the warranty period in order to satisfy their customers. The proximity of Taiwan, Japan and other Asian nations presents a strong challenge to U.S. competitiveness. U.S. firms with substantial sales in the Philippines usually establish a branch office, which could provide after sales service and support to their local distributors or resellers.

L. Government Procurement Practices

The Philippine Government and state-owned corporations are large direct importers (usually through competitive bidding) of many essential products, including road building and maintenance equipment, cement, machinery and equipment for various government projects, and military and defense equipment.

Government agencies pattern their regulations and procedures after those of the U.S. General Services Administration. The major government purchasers are the National Power Corporation, National Electrification Administration, National Housing Authority, National Irrigation Administration, Local Water Utilities Administration, Department of Transportation & Communication, Department of Public Works & Highways, and the Department of National Defense (DND).

Under the Armed Forces of the Philippines (AFP) modernization program, offsets will be given priority over counterpurchase in the evaluation of foreign proposals for the supply of equipment, materials and supplies to the AFP. The AFP is jointly working with the Philippine International Trading Corporation (PITC) in formulating the framework and guidelines for the implementation of a countertrade program that would best fit the country's economy.

For the AFP modernization program, the five–stage equipment process is as follows:

1. Project Definition: Each military service identifies its equipment requirement and prepares a Circular of Requirements (COR) for the approval of DND Secretary.

2. Pre-Qualification: The agency issues the Request for Proposal (RFP) to the manufacturers/suppliers. After pre-qualification, the agency prepares a shortlist for the Secretary's approval.

3. Bidding and Final Selection of Bids: Bids and Awards and Negotiation Committee (BANC) issues an Invitation to Bid to pre-qualified proponents. Evaluation of the financial, technical and countertrade aspects of the bid follow. The most advantageous bid is selected and recommended for the Secretary's approval.

4. Contract Negotiations: After negotiating with the winning bidder all the components of the contract are elevated to the President for approval to implement the project.

5. Contract Management and Implementation: The project is then implemented.

Philippine Government procurement regulations permit a foreign company to bid on government procurement only if it maintains a registered branch office or a registered resident agent in the Philippines. The first step in obtaining Government business is to be placed on the Bidder's Mailing List of the agency with which the applicant is interested in doing business. This is done by sworn application accompanied by certified copies of the company's application for the Certificate of Registration issued by the Philippine Bureau of Commerce, articles of incorporation, a receipted franchise tax bill, an up-to-date financial statement, and other attachments, as required. Application forms of the various procurement agencies are substantially the same in most respects.

All procurement of the Philippine military agencies are undertaken directly from manufacturers, except in the following cases:

1. When the manufacturer's marketing policy does not allow direct sales to its customer, the Philippine Government may procure from the sole or exclusive distributor of the firm's products.

2. Foreign procurement may be undertaken through a duly licensed local representative of the foreign manufacturing firm. However, procurement from agents, brokers, import-export firms or any intermediary, that has been engaged for the express purpose of making any particular sales will not be authorized.

3. Government-to-government transactions require registration and accreditation of manufacturers and suppliers. A list of accredited suppliers is published annually and updated quarterly.

In addition, foreign contractors are allowed to participate in the construction of only internationally bid and foreign-financed/assisted projects in the Philippines. For this purpose, foreign contractors must apply to the Philippine Contractors Accreditation Board (PCAB) for a special license that is issued on a project-by-project basis.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

A. Best Prospects for Non-Agricultural Goods and Services

Sector Rank: 1
Sector Name: Information Technology with Focus on Internet/E-Commerce
ITA Industry Code: CSV

The continued growth in the information technology sector provides significant opportunities for U.S. firms involved in computer software and services. The recent approval of the E-Commerce Bill by President Estrada signalled the full support of the government in the development of E-Commerce in the country. President Estrada also agreed to adopt IT/E-commerce and its related sectors as the organizing business theme for his forthcoming working visit to the United States in July 2000. Further, the President has recently mandated the E-commerce Promotion Council, headed by Secretary Mar Roxas of the Department of Trade and Industry (DTI), to update investment policies and formulate promotional activities related to the promotion of E-commerce in the Philippines. The Estrada E-commerce agenda is embodied in the National Information Technology Plan for the 21st century or the IT21 plan, which calls for the exploitation of the country's potential to become a key player in the global digital world. This potential derives mainly from the country's rich human resources, highly trainable, hardworking and English proficient professionals and workers.

At the policy level, the Philippine government has also included professional IT services in the investment priorities plan for FY 2000. This means that information technology (IT) related activities will enjoy prime incentives from the Board of Investments (BOI). Further, IT related activities including E-commerce have been highlighted under the proposed amendments to the Omnibus Incentives Act.

E-commerce has started gaining ground in the Philippines. The number of Philippine web sites increased by over 200 percent annually from only a handful in 1994 to 500 in 1998. To date, the Philippine Internet Service Organization (PICO) estimates 600,000 Internet users nationwide. This is projected to reach almost 1.3 million by end of 2004. The services offered include full Internet access, E-mail services and walk-in access. More and more ISPs are expanding their services to include not only access but also content provision and E-commerce and payment gateways.

The Business to Business (B2B) E-commerce market represents one of the fastest growing sectors in the Philippines because leading businesses understand that this is how they can significantly increase their profitability. Multi-nationals and other large companies are prepared for B2B E-commerce, and smaller companies are moving toward readiness. Industry reports that B2B E-commerce would grow to about USD7 trillion wordwide in the next four years.

Business to Consumer (B2C) web sites have also started emerging in the Philippine marketplace. Most of these sites only accept cash payment. Credit card payments are entertained by some sites but the manual process of signing the credit card slip upon delivery is still being used.

The development of internet/e-commerce opens tremendous opportunities for services in consulting, hosting services, multi-media, Electronic Data Interchange (EDI), web development and design, software applications, telephony and all other electronic applications.

Sector Rank: 2
Sector Name: Telecommunications Equipment
ITA Industry Code: TEL

The Philippine telecommunications industry remains a growing market for U.S. firms. Despite significant strides in the past several years, the Philippines needs to upgrade its telecommunications infrastructure to sustain the growth of the country's economy and to support the increasing use of internet and E-Commerce. The Philippine teledensity of almost 10 telephones per 100 persons is still behind its neighboring countries such as Singapore, Malaysia and Hong Kong.

Significant developments in the industry include the acquisition of Home Cable and Infocom by the Philippine Long Distance Telephone Company (PLDT) Company, and the mergers of Globe with Islacom and Easycall with Multimedia Telephony. These mergers and acquisitions trigger ongoing restructuring and consolidation in the industry, which is creating good investment prospects for major US telephone operators. Further, this activity also signals the convergence of technology, despite the lack of an approved Convergence Law, which is still awaiting final approval by the government. Local telecom companies will undoubtedly seek additional foreign partners and a fresh infusion of capital, technology and management expertise to support their expansion projects.

Because of PLDT's acquisition of a cable and internet firm, the company is upgrading its network to support its new services. As part of PLDT's convergence initiative efforts, PLDT will install a nationwide backbone network which will run Internet Protocol (IP) over an asynchronous transfer mode (ATM) or frame relay network backbone. PLDT is also currently bidding out several network management services project.

The 1999 market for telecom equipment and services totaled about $800 million. It is estimated to reach almost $911 million by the end of 2000. For the past three years, the U.S. share remained within 10-15 percent of the total import market.

For the next three years, the cellular mobile telephone networks will register the highest growth because of the increasing popularity of text messaging and pre-paid cards. There are approximately 2.0 million cellular telephone subscribers and five cellular operators in the Philippines. According to Globe Telecom, there are nearly 7 million text messages sent each day, one of the highest rates in the world. The majority of cellular subscribers are using their mobile phones to send text messages, which is much cheaper that making an actual cellular telephone call.

In the satellite business, Philippine Agila Satellite, Inc. (PASI) has announced its plan to launch its own satellite at the end of 2001. PASI has a contract with the Department of Transportation and Communications for the 161 East longitude orbital slot, which the government acquired for the country's use.

Very recently, Destiny Cable has announced the company's One Satellite Launch project, which will serve as the third Philippine satellite in orbit. Destiny plans to launch the project in 2003.

Other than equipment sale opportunities for U.S. firms, the Philippine telecom industry offers opportunities in the formulation and development of value-added services (VAS) which could make a telecom operator more competitive in the market. The increasing awareness on E-Commerce in the country will also require a significant improvement/upgrade in the current telecom infrastructure.

	1998	1999 (in USD Millions)	2000
Total Market Size	878	797	911
Total Local Production	546	580	636
Total Exports	455	483	530
Total Imports	787	700	805
Total Imports from U.S.	118	80	90

* Only 1998 and 1999 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 3
Sector Name: Electric Power Systems
ITA Industry Code: ELP

Electrical power systems remain in our best prospects listing despite the 17% decline in 1999 imports. The country currently possesses excess generating capacity (about 50%). Some projects are either behind schedule or have been deferred due to this overcapacity, and are further aggravated by uncertainties about the passage of the restructuring legislation and the lingering effects of the Asian crisis. Sales of the National Power Corporation in 1999 dropped slightly from 37,063 GWH in 1998 to 36,257 GWH in 1999. First quarter 2000 sales are also down by one percent compared to the first quarter of 1999.

Notwithstanding the above scenario, U.S. companies remain active in the Philippines. Southern Energy, Unocal (Philippine Geothermal), Cal Energy, Enron, Ogden, Intergen, Sithe, Oxbow, Hawaii Electric, El Paso, Ormat, and CMS Generation all have existing projects in the market. Southern is the largest U.S. investor in the Philippine power sector, with over $2.5 billion invested. Southern operates the 735 MW coal-fired Pagbilao power station, and has completed its 1218 MW Sual coal-fired power plant. CalEnergy, a wholly-owned subsidiary of MidAmerican Energy), operates three power plants in Leyte with a total capacity of 689 MW, which use steam produced by PNOC-EDC's steam fields. In addition CalEnergy's Casecnan multipurpose project will generate 140 MW of energy and provide water to irrigate tens of thousand of hectares of agricultural lands in central Luzon. Intergen has completed commissioning a 304 MW coal-fired power plant in Quezon Province in partnership with Bechtel and Ogden. Philippine Geothermal has operated the Tiwi and Mak-Ban Steam Fields since 1973 and 1975,respectively, selling the steam to NPC which uses it to generate nearly 1200 MW of power supplying 17% of the Luzon grid. Enron is currently operating a couple of smaller power plants and is co-developing a 40 MW biomass power plant to be located in the province of Bulacan.

In the near term, sales opportunities exist for transmission equipment, spare parts, energy efficiency products and equipment, and equipment for the improvement of power quality maintenance of substations. Japanese suppliers of ELP are the leaders in this market, with a 30% market share in 1999. The bulk of Japanese exports to the Philippines was composed of generating sets, electrical connectors, electrical switching apparatus, and electrical insulators. U.S. suppliers, on the other hand, were the second largest source of ELP, with a 16% import market share. U.S. equipment and technology, while highly preferred, are priced higher than their Japanese equivalents. In addition, a number of U.S. suppliers either have licensing agreements with Japanese firms or have manufacturing plants in the region. U.S. suppliers should therefore review their pricing strategies and/or capitalize on their relationships with U.S. IPPs.

The total generating capacity as of the end of 1999 stood at 11,739 MW distributed as follows: Oil, 4458 MW (30%); Coal, 3060 MW (26%); Hydro, 2264 MW (19%); Geothermal, 1949 MW (17%); and New and Renewable, 8 MW (1%). Luzon has the largest capacity location with 8733 MW or 74%, followed by Mindanao with 1568 MW or 13%, and Visayas with 1438 MW or 12%. NPC owns 6033 MW or 52% of generating capacity and the balance is operated by the private sector.

	1998	1999 (In USD Millions)	2000
Total Market Size	515.7	388.9	408.4
Total Local Production	100.5	110.6	116.1
Total Exports	425.0	419.7	440.6
Total Imports	840.2	698.0	732.9
Total Imports from the U.S.	126.1	111.8	117.9

* Only 1998 and 1999 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 4
Sector Name: Building Materials
ITA Industry Code: BLD

Imports of building materials increased from $344 million in 1998 to $410 million in 1999, or 19%. This can be attributed to the 3% average growth in the construction sector posted from the second to the fourth quarter of 1999. Unfortunately, the construction sector declined 0.7% in the first quarter of 2000. This may only be a temporary setback as industry sources believe that the construction sector would grow 3-4% in year 2000. Low-cost and middle-income housing, retail real estate or shopping malls, and infrastructure are the leading growth areas in the construction sector. Private developers undertake most housing projects.

Despite the Philippines' housing backlog of 3.2 to 4.5 million units, private developers are still on a wait-and-see attitude since the lending and financing scheme for low-cost housing, which constitutes most of the Philippine housing requirement, has not been resolved. There were many home upgrades as tenants of new high-rise residential condominiums begin to move to the their new homes.

In the area of mall development, among the major projects are SM Prime Holding Inc.'s Mall of Asia that will have a total land area of 4.8 million square feet and the redevelopment of Araneta Center into a 24-hour activity center for work, dining, leisure, shopping and health care.

There are few new projects that are being launched by private developers, but many are trying to complete the projects they started before the Asian financial crisis.

Using Philippine and foreign governments as well as private funds, the local and national governments will continue to undertake road, bridge and other infrastructure projects as well as housing, school building, public market and municipal building projects.

The U.S., which accounted for 22 percent of the import market, was the Philippines' top import source of building materials in 1999. Imports from the U.S. grew 20% from the 1999 level.

Japan and Taiwan accounted for 8% and 5% of the import market, respectively.

1998	1999	2000

(In USD Millions)

A. Total Market Size	1113	1165	1185
B. Total Local Production	900	920	938
C. Total Exports	131	165	204
D. Total Imports	344	410	451
E. Imports from the U.S.	84	90	95

* Only 1998 and 1999 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 5
Sector Name: Construction Equipment
ITA Industry Code: CON

The Philippines is almost 100% dependent on imported construction equipment. Construction equipment imports dropped 13% from $603 million in 1998 to $527 in 1999. This was expected since there was an extraordinary demand for construction equipment in 1998 due to the requirements of the $789 million San Roque Dam Project. Imports in 1998 grew 69% and U.S. construction equipment suppliers benefited from this import surge due to U.S.'s Raytheon's participation in the San Roque Dam Project.

In the next three years, demand for construction equipment will come from infrastructure-related projects such as irrigation systems, road networks, ports, water facilities, drainage systems and power stations. Contractors of foreign-assisted and Build-Operate-Transfer projects will be the major buyers of construction equipment.

An upcoming major private sector project will be the development of a 57.39-hectare prime property in Fort Bonifacio. The property will be developed into sports and recreational facilities, a special economic zone focused on information technology and mixed-used. The Bases Conversion Development Authority is scheduled to bid out the property this year.

The U.S. ranked second to Japan as the Philippines' import source of construction equipment in 1999. The U.S. share was 17% compared to Japan's 43%. U.S. construction equipment is also sold through Singapore offices. The Philippines sourced 9% of its construction equipment imports from Singapore.

Price and availability of after-sales service are the major purchase considerations. Demand for used/reconditioned equipment accounts for about 60% of the total market.

	1998	1999	2000
	(In USD Millions)		
A. Total Market Size	511	462	483
B. Total Local Production	n.a.	n.a.	n.a.
C. Total Exports	92	65	70
D. Total Imports	603	527	553

E. Imports from the U.S.	169	93	98

* Only 1998 and 1999 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 6
Sector Name: Water Resource Equipment/Services
ITA Industry Code: WRE

Despite the country's extensive ground water resources, water scarcity is being experienced in Metro Manila and other major population centers. This is attributed to the deterioration of water quality due to water pollution and poor resource management. Pollution has seriously contaminated groundwater. Degradation of watersheds has caused an uneven flow of natural waterways. Roughly 30 million people throughout the country do not have access to potable water through water supply and distribution operations. With all these pressing needs for water, the market for water supply and wastewater treatment equipment continues to offer opportunities for U.S. suppliers and service firms.

1999 reflected a 35 percent decline in imports but the market should recover because of the different water and wastewater infrastructure projects scheduled for implementation. Multilateral agencies such as the World Bank (WB) and Asian Development Bank (ADB) continue to provide funding through the loans lined up for water supply and wastewater treatment related projects. WB is funding the following projects: (1) USD 76 million Metro Manila Second Sewerage Project of Maynilad Water Services Inc. (MWSI) 1998-2000; (2)USD 57 million Water Districts Development Project I of Local Water Utilities Administration (LWUA) and Land Bank and the Local Government Units (LGU) of Davao, Cagayan de Oro, Calamba and Cotabato cities in 1999; (3) USD60 million Subic Freeport Project Phase II of Subic Bay Metropolitan Authority (SBMA) 1998-2000; (4) and the Local Government Unit Urban Water and Sanitation project worth USD 183 million to be implemented by the Department of Interior and Local Government (DILG) and LGUs in 1999-2001. In addition, ADB is funding a Water and Sanitation Sector Study which will identify priority projects for local government units estimated to be worth USD57 million with a 1999-2004 timeline. Other projects with ADB funding are the Pasig River Rehabilitation Project and the Small Towns Water Supply and Sanitation Sector II. These projects will open equipment procurement and consulting services opportunities for U.S. firms.

Projects such as the Bulacan Water Project II, Mananga II – Metro Cebu Water Project, Cavite Water Supply, Batangas City Water Supply, and Laiban Dam Project are potential opportunities for U.S. firms under the Build Operate Transfer (BOT) scheme. The Public Estates Authority (PEA), which is in charge of Boulevard 2000 and the Smokey Mountain-Harbor City developers, are seeking joint venture partners for their water supply and wastewater treatment facilities requirement.

These projects are good indicators that the market will definitely start to recover and gain momentum in 2000. Based on the local preference for imported equipment, U.S. imports should grow 10-15 percent in 1999-2000. The following U.S. developers and engineering firms are major players in this sector: Fluor Daniel, Ogden Yorkshire, Envitech, Bechtel, Brown & Root, Parsons, Metcalf & Eddy, and URS Greiner (Dames & Moore and Woodward Clyde).

The best market opportunities will result from construction and development of additional raw water sources, expansion of new water treatment facilities, augmentation of distribution networks, optimization of the existing water supply system such as rehabilitation (pipe replacement) and reduction of non-revenue water.

The US has the major share of the country's imports of water supply, distribution and treatment equipment. In 1999, despite the fact that total imports substantially declined, US imports accounted for 48% of total imports. The US' advantageous import market position is due to its high quality equipment, price competitiveness and historic ties with the Philippines. Local end users are very receptive to U.S. manufactured equipment. The main US competitors are Italy, Japan, Singapore, and Germany.

Good prospects exist in the municipal sector for sales of pumps, pipes and valves. U.S. firms should concentrate on all types of water pumps where the US currently holds a significant import market share. In terms of pipes, focus should be on tube/pipe fittings made of iron and steel.

On the industrial side, the best sales prospects are: plants and equipment for treatment and sterilizing apparatus such as slurry pumps, water softeners, economizers, water recycling systems, boiling and cooling towers and heat recovery steam generators. Filtering and purifying machinery and apparatus for liquid waste and parts such as dialysis and electrodialysis apparatus, ozonators, reverse osmosis facilities and equipment, water filtration plants, filtration systems, filter cartridges, water purification equipment, ceramic filters, ultrafilters, microfilters, and filter presses. The best market prospects also include: Drilling equipment & accessories, parts of steam and other vapor generating boilers such as vapor sprays, atomizers and boiler systems, and pipes and fittings.

	1998	1999 (In USD Millions)	2000
A. Total Market Size	103.0	74.0	80.0
B. Total Local Production	28.0	30.0	30.0
C. Total Exports	18.0	15.0	15.0
D. Total Imports	93.0	59.0	65.0
E. Imports from the U.S.	23.0	20.0	23.0

* Only 1998 and 1999 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 7
Sector Name: Pollution Control Equipment/Services
ITA Industry Code: POL

1999 was another very challenging year for the pollution control equipment/services market. Although the Philippines is slowly recovering from the effects of the Asian crisis, the environmental market continued to taper off. The pollution control equipment and services market declined by 15 %. While American pollution control and monitoring equipment continue to dominate the local market, there was a tremendous decline in imports. Despite the weak peso, it is expected that the environmental market will register a 10-12% growth in 2000.

Although the Asian financial crisis slowed down environmental imports in 1999, Philippine environmental engineering firms and equipment distributors remain hopeful that the market will improve as the new Clean Air Act gets implemented by the different government agencies such as the Department of Environment and Natural Resources (DENR) for industrial emissions or stationary sources, and the Department of Transportation and Communications (DOTC) for mobile emissions (motor vehicle emissions). Laguna Lake Development Authority's (LLDA) implementation of a polluter-pay system known as the "Environmental User's Fee" has forced some companies to install wastewater treatment facilities. In 1999, LLDA also implemented a new regulation requiring all industrial estates to put up common waste treatment facilities. Most of the industries located in Metro Manila pollute openly and discharge directly into waterways (Manila Bay, Laguna de Bay, Pasig River and into the 21 tributary rivers of Laguna Lake). This polluter pay system is forcing industries to install wastewater treatment facilities. Based on the success of LLDA's implementation, DENR will implement the "polluter pay system" in the whole Metro Manila area and eventually in other cities and provinces all over the country.

The air pollution control and monitoring equipment import market is expected to pick up this year. The Implementing Rules and Regulations of the Clean Air Act will be in place by September 2000 and the Asian Development Bank funded project (USD 298 million) on Metro Manila Air Quality Improvement Project (MMAQIP) will procure most of its ambient air monitoring stations towards the end of this year. DENR is implementing a three-year Air Quality Action Plan to tackle Metro Manila's deteriorating air quality. This project offers opportunities for both stationary and mobile air pollution control equipment vendors. The United States Trade and Development Agency (USTDA) funded the Industrial Air Emissions Source Study" to quantify air emission burdens from industrial activities and identify specific mitigation techniques to improve air quality. This study will also recommend techniques for monitoring and testing for 50 industrial firms in Phase I and an additional 50 firms in Phase II.

More than 50% of Philippine exports are from the electronics and semiconductor industry. This means that there is a big market for environmental goods and services in this sector. Other sectors like the food processing industry, chemical and textile manufacturers, cement industries, power plants, rubber products and non-metallic mineral products account for more than 50% of the environmental market.

The following U.S. firms are major players in the environmental services area: URS Greiner (Woodward Clyde, Dames and Moore and Radian International), Metcalf and Eddy, Weston International, Louis Berger International, Hagler Bailley Services, Inc., Tetra Tech EM Inc., Malcolm Pirnie, Chemonics International, Inc., and Ecology & Environment, Inc. Some U.S. equipment suppliers are Brunner Corporation, Yeoman Chicago Corporation, Cromaglass Corporation, Hach Company, Hydrocal Systems, Inc., Wastewater Treatment Systems, Inc., Air Instruments & Measurements Inc., U.S. Filter, and Advanced Pollution Instrumentation, Inc.

Environmental Consulting and Engineering Services cover a broad range of areas. Generally, these services include the design and construction of environmental facilities meant to reduce, minimize, eliminate, or treat industrial pollution. Since some of the investments in this field are turn key projects, i.e. initial operation is usually assumed by the provider of these services after conceptualization, design, and construction services have been rendered. The specific equipment provided and services rendered in each of the following sectors are: for air pollution related problems, the best prospects are: air emission control equipment for industry (flue gas desulfurization plant and denitrifying plant, electrostatic precipitators, air scrubbers, baghouses, and catalytic converters); clean energy and technology associated with energy substitution; public transport; catalytic converters; vehicular emission testing; gas combustion systems; natural gas distribution; and vehicle inspection systems. For this sector, design services and installation of air pollution control technologies comprise the demand. This involves air emissions inventory, source testing, evaluation of current systems, design of appropriate or recommended system construction and installation, test runs, commissioning of the system, and repair and maintenance of the system. The technologies that go with these services are usually purchased abroad, and shipped in for installation through the local distributors or local agents. In the case of monitoring and analytical equipment for ambient sources, 100% of the equipment supplied is imported.

The best market prospects for industrial wastewater are: water recycling systems; economizers; boiling and cooling towers and heat recovery steam generators; filtering and purifying machinery; apparatus for liquid waste and parts such as dialysis and electrodialysis apparatus, and filtration systems.

	1998	1999 (In USD Millions)	2000
A. Total Market Size	84	95	103
B. Total Local Production	n.a	n.a	n.a
C. Total Exports	8	10	12
D. Total Imports	92	105	115
E. Imports from U.S.	23	26	29

* Only 1998 and 1999 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 8
Sector Name: Food Processing and Packaging Equipment
ITA Industry Code: FPP

Despite an expanding urban population and a widening middle class that continue to demand more consumer-ready food products, the sluggish economy has contributed to the slight decline (4.7%) in the total imports for food processing and packaging equipment in 1999 which were valued at $152.3 million. While there was a 13.5% increase in imports of packaging equipment, the drop in total 1999 import value was largely due to a decrease in imports of food processing equipment, which fell by 16%.

However, this harsh reality does not cancel out the strengths and future potential of the total industry. The industry is diverse in terms of business size and activity. There are over 22,500 food and beverage processors, 99% of which are cottage, small and medium enterprises. The dominant players, namely San Miguel Corporation, Republic Flour Mills, Cosmos Bottling Company, Universal Robina Corporation, and Purefoods are large-scale agro-industrial corporations all of which are multi-product, vertically-integrated manufacturers and processors. Small and medium-size companies, however, also thrive.

Most firms focus on supplying the domestic market. Only a few export their products. These exporters are mostly large processors such as Del Monte and Dole. Main export items are fruit, tuna, and meat. The food processing sectors which require imported equipment are meat, fish, fruit, dairy, beverage, snack foods, and bakery.

U.S. suppliers are the dominant source of imported food processing equipment with about 20.5% market share ($17 million) in 1999. Italy and Japan are the closest competitors of the U.S., with the Italians selling $16 million worth of equipment (19.2%) and Japan with sales of $14 million (16.8%). In the packaging field, the Germans are the leaders with sales of $21.1 million (30.4%). Japan trailed with $9 million (13%), and the U.S. with $7 million sales (10.1%).

Food processing sub-sectors offering the best sales opportunities for U.S. suppliers include dryers for food and beverages; industrial microwave ovens for cooking and heating food; machines for aerating beverages; bakery machinery and machinery for manufacturing macaroni, spaghetti, etc.; and snack food processing equipment. In the packaging area, best prospects include: can sealing machines; packing and wrapping machinery such as shrink wrappers, carton erectors, and wrap-around case packers; and machinery for filling, closing, sealing, and labeling.

	1998	1999 (In U.S. Millions)	2000
Total Market Size	149.9	146.6	161.2
Total Local Production	n.a.	n.a.	n.a.
Total Exports	10.0	5.7	6.2
Total Imports	159.9	152.3	167.5
Total Imports from the U.S.	30.2	24.0	26.4

* Only 1998 and 1999 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 9
Sector Name: Hotel and Restaurant Industry
ITA Industry Code: HTL

The Philippine tourism industry presents moderate opportunities for U.S. exporters of hotel and restaurant equipment. Growth will come from the restaurant sector where prospects remain bright despite consumers sagging confidence in the economy. A steady population growth, greater diversity in food, trends in increased consumer income and “eating out” expenditure, rise in urbanization in key cities such as Bacolod and Negros in the Visayas Region and Davao in Mindanao will contribute to this growth. In addition, and the proliferation of one-stop shopping malls that offer various recreational facilities and amenities which attract heavy pedestrian traffic means big business for restaurants and fastfood outlets.

The market for hotel and restaurant equipment consists of nearly 200 Deluxe, First Class, Standard, and Economy hotels (12,836 rooms) and over 1500 restaurants and food chains. Tourism arrivals in 1999 totaled about 2.17 million visitors, and registered a insignificant increase of one percent from 2.14 million tourists in 1998. The rapid expansion in the number of food establishments in Metro Manila and other urban centers has made the restaurant industry one of the largest and most progressive businesses in the country.

The Philippines remains an attractive market for international food franchises, although these multinationals will probably focus their attention on the still-expanding Metro Manila market, while those already established are planning more outlets in growing urban centers in the regions. People use burger or pizza indicators as benchmarks of where development is taking place. Western-style casual dining restaurants continue to do well. Some of the notable U.S. franchises include McDonalds, Pizza Hut, Shakey's, TGIF, Tony Roma's, California Pizza Kitchen, Little Caesar'S, Domino, Dunkin Donuts, Starbucks, Seattle's Best, Italianni's, Outback, Nacho-Fast, Bennigan's, KFC, Kenny Rogers, Burger King, Carl's Jr., and Jack in the Box. Jolibee, a homegrown franchise, has the biggest franchise operation in the Philippines.

Franchised food chains, largely dominated by Americans, are captive markets for U.S. suppliers of hotel and restaurant equipment and supplies. In 1999, the U.S. sold about $25 million worth of equipment with a 33% import market share. They were strongest in the refrigerating and freezing equipment category, as well as machinery, plant and equipment for making hot drinks and heating food. The combined market shares of Japan (9.46%), Korea (6.53%) and Taiwan (4.80%) were not enough to offset U.S. leadership.

	1998	1999 (In USD Millions)	2000
Total Market Size	72.4	59.8	61.6
Total Local Production	5.5	5.8	6.0
Total Exports	15.4	21.0	23.1
Total Imports	82.3	75.0	78.7
Total Imports from the U.S.	36.6	25.0	27.5

* Only 1998 and 1999 import and export statistics are official figures. Other statistics are unofficial estimates.

Sector Rank: 10
Sector Name: Medical Equipment
ITA Industry Code: MED

The Philippine market for medical equipment is small with a strong U.S. presence. In the medium to long term, the sector presents good opportunities for U.S. firms.

The medical equipment market is almost 100% imported, as the Philippines does not manufacture medical or surgical equipment. The total market size in 1999 was $97 million, 92% or $89 million of which are imported. U.S. share was 28%. France followed with a 20% share, while Japan and Germany had 12% each. Local production consists of parts for medical equipment (presumably microchip parts manufactured in the export processing zones), which fall under the same classification.

The Philippine economy, however, is currently suffering from a weak local currency. The market, which is price-sensitive, reacts to currency (Peso) depreciation by being more reluctant to support new hard currency loans. Hospitals might reduce budgets even further, forcing distributors to concentrate on supplying replacement parts, disposables and consumables.

Industry players predict a conservative 5% growth this year, lower than previous years, due to limited market expansion and a higher exchange rate. Over the last two years, few private sector companies or individuals invested in hospital development. Imports dipped in 1998 as a result of the 1997 regional financial crisis when hospitals deferred buying equipment until the economy improved. 1999 statistics illustrate the recovery and adjustment of the market, when importers and hospitals started purchasing equipment and stocks.

Market shares reflect Philippine preference for U.S. products. However, U.S. manufacturers face increasing competition from third country suppliers.

The U.S. is strong in electro-medical equipment, supplying 17% of total importation.

Major U.S. medical companies in the Philippines are Johnson and Johnson Medical, Picker, Lifecare, Parker, Bird, General Electric, Becton Dickinson, DePuy, etc. Non-U.S. competitors are Siemens, Mannheim, Philips, Hitachi, Toshiba and Olympus.

Major hospital projects include the Medical City in Pasig City and the Fort Bonifacio Medical Facility, which is now managed by private sector investors.

	1998	1999 (In USD Millions)	2000
Total Market Size	51	97	102
Total Local Production	20	22	23
Total Exports	15	14	14
Total Imports	46	89	93
Imports from the U.S.	16	25	26

* Only 1998 and 1999 import and export statistics are official figures. Other statistics are unofficial estimates.

B. Best Prospects for Agricultural Products

The Philippines continues to be a major market for U.S. agricultural products as it has been through most of the 1990's. Although the impacts from both the Asian financial crisis combined with the peso devaluation in June, 1997 have taken their toll on trade, the Philippines continues to show signs of a growth market for U.S. agricultural exports. Total imports of agricultural products from all sources by the Philippines for 1999 was $3,236, 20 percent increase over 1998. U.S. exports of all agricultural, fish and forestry products increased by 12 percent in 1999 on an annual basis over the previous year. Also, early prospects for the first half of 2000 show continued growth with shipments for January through April registering 23 percent higher than the same period in 1999. It remains the largest market in ASEAN for U.S. agricultural products.

U.S. exports of semi-processed intermediate agricultural products were down slightly by 4 percent at $231 million, led by the number one market for U.S. soybean meal in 1999 at $136 million. For consumer oriented products, trade has increased to $212 million for 1999, a 57 percent increase over 1998. Softwood and treated lumber rose by 82 percent to $24.50 million in 1999 reflecting the continued success in this market where excessive logging has lead to increasingly tight domestic supplies in the Philippines for the export-oriented furniture industry. Also, exports of feeds and fodders (excl. pet foods) increased by 48% to $12,209 million.

More than any of its ASEAN counterparts, economic success will further accelerate the growing Philippine urban middle-class looking for a greater diversity in their food. The country’s rapid expansion in the retail and food service sectors is opening up the markets for food and beverage products and bringing them within easy reach of more and more Filipino consumers. Steady growth in the number of western-style supermarkets and shopping malls continues both in Metro Manila and in the larger regional cities. Most of these supermarkets are becoming increasingly sophisticated in their operations and carry product lines that are very similar to what one would find in a typical U.S. supermarket. Many stores are also developing large produce and meat sections, although room exists for improvement in the presentation and cold storage management of these sections. Convenience stores are also now a part of the urban landscape in major cities and wholesale stores are new on the scene. Despite supermarket gains, the traditional open-air markets still account for the lion’s share of produce and meat sales.

Because of improving incomes and the increasing need for convenience, urban dwellers are dining out more often. Most of the major American fast food franchise establishments are already in the Philippines. Most fast food restaurants have very aggressive expansion plans as growth in this sector is propelled not so much by same store sales but rather by horizontal expansion. More upscale full-service Western-style restaurants and specialty outlets are also doing well. While subdued by the financial crisis, fine-dining is expected to substantially improve by the end of 1999. All of these trends continue to show further opportunities for American food service products.

Name of Sector: Wheat

Wheat exports to the Philippines rose by 5 percent in 1998 to $235 million, it is still the largest single contributor to total U.S. exports in value terms. It is expected that U.S. market share will expand in the Philippines with increased use in processing flour and noodles and will also be driven higher over time with population growth at more than 2 percent per year. Also, wheat for feed use is seen to increase in the Philippines. The main wheat classes purchased from the U.S. are Dark Northern Spring and Western White. The main competitors are Canada and Australia.

	1998		1999	2000
Wheat			(Thousand MT)	
A. Total Market Size	1,860		2,000	2,100
B. Total Local Production	0	0	0	
C. Total Exports	0		0	0
D. Total Imports	1,860		2,000	2,100

E. Total Import from U.S.A.	1,364	1,500	1,600

Name of Sector: Corn

The Philippines has continued to import significant amounts of corn in recent years. Although, the Philippines total imports have averaged 300,000 MT per annum, if duties were reduced, the potential is for as much as 1 million tons. However, the strong resistance from domestic corn producers has forced the Government to maintain out-of-quota corn tariffs now set at 65 percent as of January 1, 2000. The in-quota amount (tariff = 35 percent) for 2000 is 173,550 MT. With the difficulties associated with importing and maintaining domestic supplies of corn, livestock producers opt for feed wheat which carries a lower duty of 10 percent. However, importing 'food' wheat (3 percent duty) for feed purposes is technically illegal but the Government, wishing to avoid higher meat prices, has been lax in enforcement. The U.S. is expected to be the dominant supplier of corn for the foreseeable future with some competition from Argentina and China.

	1998	1999	2000
Corn		(Thousand MT)	
A. Total Market Size	5,083	4,805	4,800
B. Total Local Production	4,894	4,475	4,500
C. Total Exports (Oct/Sep)	0	0	0
D. Total Imports (Oct/Sep)	189	330	300
E. Total Import from U.S. (Oct/Sep)	54	150	100

Name of Sector: Soybean Meal

Philippine soybean meal imports are expected to increase in future years as a result of increasing demand from the Philippine hog and poultry industries for feed ingredients. There is a strong preference for high-protein soybean meal. Previously, India has been the traditional low-protein competitor in this market, but in 1997 U.S. meal gained significant market share and has since dominated the market. Recently, South American meal has acquired a share of the market. Local production is currently very small. The start-up of a new crusher in 1999 is not expected to alter the long run for imports of U.S. soybean meal. The value of soybean meal in 1999 was $137 million.

	1998	1999	2000
Soybean Meal		(Thousand MT)	
A. Total Market Size	927	1,520	1,572
B. Total Local Production	184	320	372
C. Total Exports (Jan/Dec)	0	0	0
D. Total Imports (Jan/Dec)	743	1,200	1,200
E. Total Import from U.S.(Jan/Dec)	700	1,000	950

Name of Sector: Forestry Products

With diminished domestic forestry resources and increasing domestic demand, imports are expected to continue to grow, especially since the Philippines furniture industry does have an export market.

For hard wood, the main import suppliers have been other tropical countries. As the Philippine wood user becomes more familiar with U.S. qualities and characteristics of woods, market share for the U.S. is expected to increase, especially among the export oriented furniture manufacturers. In 1999 U.S. exports of hardwood lumber was $4.247 million, more than double that for 1998. The value of U.S. exports of softwood lumber also increased significantly in 1999 to $24.5 million, 82 percent above that for 1998. The Philippines exports of furniture in 1999 increased to $352 million in value compared with $323.46 million in 1998. For U.S. forestry exports, the biggest competitor for the Philippine market is Malaysia.

Forestry Products	1998	1999	2000
		(Thousand Cubic Meters)	
A. Total Market Size	1,334	1,354	1,495
B. Total Local Production	678	450	500
C. Total Exports	71	70	100
D. Total Imports	727	974	1,095
E. Total Import from U.S.	15	35	50

Name of Sector: Consumer Oriented Food and Beverages

Because of close cultural and language ties, the Philippines is proving to be one of the stronger markets for ready-to-consume food and beverages from the United States. The value of U.S. exports recovered slightly in 1999 to $212 million after declining to $136 million in 1998, due to the lagging impact of the Asian financial crisis. The Philippines still remains among the top 20 country markets for U.S. consumer ready products. Processed fruit and vegetables, the largest subgroup in this category remained steady at $34 million in value. The biggest improvement goes to chicken fresh, chilled or frozen which increased by 800% to $18.780 million! Post cannot be certain that this is indicative of a continuing trend. The local poultry industry was alarmed and most likely the first candidate for the new special safeguards measure in the Philippines will be poultry imports. Post seeks to preserve the quantity permitted under the TRQ for chicken (Minimum Access Volume or MAV) which in 2000 will be 19,834 MT or approximately $12 million at current prices. Out-of-quota volumes, however will certainly be in dispute for next year. Other areas which still show particular promise are beef, pork, and fresh fruit. In November 1999, Post was able to establish a new protocol for Florida grapefruit, oranges and tangerines. The market for the Florida citrus is expected to initially reach $3 million in value.

Consumer Oriented Food and Beverages	1998	1999	2000
		(Thousand MT)	
A. Total Market Size	1,108	1,115	1,165
B. Total Local Production	60	65	65
C. Total Exports (Oct/Sep)	0	0	0
D. Total Imports (Oct/Sep)	1,048	1,050	1,100
E. Total Import from U.S.(Oct/Sep)	845	900	950

C. Significant Investment Opportunities

Information Technology

The Philippine government is aggressively promoting investments in Information Technology and E-Commerce. President Estrada has recently approved the E-Commerce Bill, which provides the legal framework in the development of E-Commerce. Further, as a sign of the Philippine government commitments in promoting the sector, IT/E-commerce and its related sectors is the organizing business theme for President Estrada's working visit to the United States in July 2000. The President has also mandated the E-commerce Promotion Council, headed by Secretary Mar Roxas of the Department of Trade and Industry (DTI), to update investment policies and formulate promotional activities related to the promotion of E-commerce in the Philippines.

The Estrada E-commerce agenda is embodied in the National Information Technology Plan for the 21st century or the IT21 plan, which calls for the exploitation of the country's potential to become a key player in the global digital world. This potential derives mainly from the country's rich human resources, highly trainable, hardworking and English proficient professionals and workers.

At the policy level, the Philippine government has also included professional IT services in the investment priorities plan for FY 2000. This means that information technology (IT) related activities will enjoy prime incentives from the Board of Investments (BOI). Further, IT related activities including E-commerce have been highlighted under the proposed amendments to the Omnibus Incentives Act.

As a result of the government's efforts, the Philippines is becoming a major IT hub for multinationals. Currently, there are three major IT zones in Metro Manila: Eastwood City, Fort Bonifacio, and Filinvest, which are actively promoting investments by IT firms. The Philippines is the third largest English speaking country in the world and has many well trained, talented IT professionals. An increasing number of firms are locating engineering design, manufacturing design, call centers, back office operations, outsourcing centers and software development companies in the Philippines as shown in the table below. America On-Line (AOL) established a call center at Clark Development Corporation, with almost 1,000 employees. E-Telecare and Barnes and Noble have recently established their call centers at the Eastwood City Cyberpark.

Below is a partial list of multinational companies with back-office facilities in the Philippines.

1. Corporate Back-Office Data Processing
   a. Caltex
      Location: Ortigas
      Description: Treasury & Human Resources
   b. Sealand
      Location: Manila
      Description: Shipping Document Handling
   c. UPS
      Location: Alabang
      Description: Shipping Document Handling

2. Data Processing

a. SPI Technologies
Location: Close proximity to the Manila International Airport
Description: Digitise library card catalogues, technical manuals & archive for US Department of Justice, maintain UK voters' lists, etc.

3. Engineering

a. Bechtel
Location: Makati
Description: Blueprints & Engineering Design

b. Fluor Daniel
Location: Alabang
Description: Blueprints & Engineering Design

c. Parsons
Location: Makati
Description: Blueprints & Engineering Design

d. Eichleay
Location: Eastwood City
Description: Blueprints & Engineering Design

4. Internet Service

a. Barnes & Noble
Location: Eastwood City, Quezon City
Description: Process internet orders

b. America Online
Location: Clark Special Economic Zone
Description: Answer customer e-mails

5. Medical Transcription

Kumar
Location: Makati
Description: Transcribe physicians' dictation

6. Software

Andersen Consulting
Location: Makati
Description: Developing & Customising Software

7. Corporate Shared Services

Procter & Gamble
Location: Makati
Description: Shared Accounting Functions

8. Corporate Technology Support

Citibank
Location: Eastwood City, Quezon City
Description: Systems development & support

9. Web Site Maintenance
   Asian Sources Media
   Location: Fort Bonifacio
   Description: Maintain large web sites

Retailing

President Joseph E. Estrada signed R.A. 8762 on March 7,2000. The legislation opens the retail trade sector to foreign investment, subject to onerous conditions. The law took effect on March 15, 2000. Foreign investment in retail trade is at present prohibited under a 1954 law (R.A. 1181). While the law has legally taken effect, foreign investors in the retail sector will have to wait until implementing rules and regulations (IIRs) are promulgated before they are able to enter the market.

The legislation defines retail trade as any act, occupation, or calling of habitually selling direct to the general public, merchandise, commodities or goods for consumption. The restrictions do not apply to the following activities: sales by a manufacturer, processor, laborer or worker to the general public of the products manufactured, processed or produced by him if his capital does not exceed Pesos 100,000 (about $2,500); sales by a farmer of the products of his farm; sales by a restaurant in a hotel; or sales which are limited to products locally manufactured, processed or assembled through a single outlet, irrespective of capitalization. Philippine legislators opted for a law that minimizes the likelihood that local retailers will face strong competition from foreign-owned stores. Despite all its flaws, the Act at least opens a previously closed door, and some firms will see any opening, albeit limited, as an opportunity. END SUMMARY

Important provisions of the Retail Trade Liberalization Act are as follows:

1. Repeals R.A. 1180, the Retail Trade Nationalization Act of 1954, but continues to prohibit foreign investment in retail trade enterprises with a paid-up capital of less than US$2.5 million (Category A Enterprises).

2. Allows foreign investment in retail trade enterprises with a paid-up capital of not less than US$2.5 million, subject to a required minimum investment per store of US$830,000:

   a. For two years after enactment, foreign equity will be limited to 60% in retail trade enterprises with a paid-up capital of US$2.5-US$7.5 million (Category B Enterprises). After two years, 100% foreign ownership of such enterprises will be allowed;

   b. 100% foreign ownership will be allowed immediately for retail enterprises with a paid-up capital of not less than US$7.5 million (Category C Enterprises), provided the investments on a per-store basis be not less than US$830,000.

3. Limits foreign acquisition of existing Philippine retailers whose net worth is not less than US$2.5 million to 60% of equity for the first two years from the date of enactment of the legislation. After two years, foreign investors will be able to acquire 100% of local retailers, subject to the above restrictions.

4. Requires that any foreign-owned retail enterprise in Categories B and C in which foreign equity is over 80% offer at least 30% of its equity to the Philippine public within eight years from the start of operations.

5. Provides a lower minimum capitalization threshold for foreign investment in enterprises specializing in high-end or luxury products (Category D Enterprises). The paid-up capital requirement for such enterprises is US$250,000. High-end or luxury goods are defined as goods which are not considered necessary for life maintenance and whose demand is generated in large part by higher income groups, such as jewelry, clothing, footwear, wearing apparel, leisure and sporting goods, electronics, and other personal effects.

6. Requires the parent corporation of all foreign investors in retail enterprises to have:

    a. A net worth of at least US200 million (for Category B and C enterprises) or US$50 million (for Category D enterprises);

    b. At least five retail branches or franchises in operation anywhere in the world; and

    c. A five-year track record in retailing.

7. Requires that at least 30% of the value of the inventory of foreign retailers in the Categories B and C, and 10% for Category D, consist of products made in the Philippines.

8. Prohibits foreign retailers from engaging in certain retailing activities outside their accredited stores through the use of mobile or rolling stores or carts, the use of sales representatives, door-to-door selling, restaurants, and sari-sari (convenience) stores and other similar retailing activities.

9. Exempts all former natural-born citizens of the Philippine who have lost their Philippine citizenship but who reside in the Philippines from restrictions placed on other foreign investors, so they are able to invest in retail trade with no restrictions.

Franchising

In the Philippines, franchising has proven to be a crisis-proof industry that can withstand the onslaught of financial and economic disasters. It continues to be one of the fastest growing sectors of the Philippine economy. The growing demand for new products and services attest that there is plenty of room for new players and many opportunities for U.S. companies. Population growth, consumer preferences, and increased economic activity contributed to the growth of franchises in the Philippines.

The U.S. still dominates the market with more than 70% share and demand for new American franchises remains high.

The franchise industry has grown enormously by a remarkable 800 percent in the last ten years. Philippine investors agree that an investment in a master franchise is less risky, considering its resiliency in times of crises. Successful businessmen who want a second investment consider franchising as a mode of business expansion. There are excellent franchising opportunities in food and in services-based franchises

Some of the U.S. franchises in the market today are: McDonald's, Kentucky Fried Chicken, Dunkin' Donuts, Mr. Donut, Magoo's, Greenwich, Angelino's, Domino's, Sbarro, California Pizza Kitchen, Numero Uno, Kenny Rogers, Auntie Ann's, Mary's Roasters, New Jersey Chicken, Shakey's, Starbucks, Pizza Hut, Dreyers, Blue Bunny, and Dairy Queen (food). Roto Rooter, Comprehensive Business Services, Computer Assisted Learning, Postnet, Service Master, Computer Tots, Levi's, Wrangler, Calvin Klein, Revlon, Avon, Sara Lee, Anne Klein, Esprit, Guess, and GAP are some of the non-food franchises.

To sustain overseas franchises, foreign franchisers usually offer financing schemes and marketing and promotion support to their master and/or individual franchisees. Many successful companies that are maintaining or expanding market share receive such support from their foreign principal.

The U.S. Commercial Service-Manila will host a two-day Franchising Trade Mission on September 28 and 29, 2000.

VI. TRADE REGULATIONS, CUSTOMS AND STANDARDS

A. Membership in Free Trade Arrangements

AFTA

As a member of the Association of Southeast Asian Nations (ASEAN), the Philippines is committed to reduce tariff and non-tariff barriers and investment restrictions within the ASEAN Free Trade Area (AFTA). However, by one measure, the Philippines has the furthest to go among the six original ASEAN members to meet the tariff reduction commitments agreed by ASEAN in December 1998. Under these commitments, the six original ASEAN members agreed to accelerate the tariff reductions in each country's AFTA Common Effective Preferential Tariff (CEPT) Inclusion List. CEPT duty rates are lower than or equal to the MFN rates accorded other trading partners (like the United States). By the year 2000, 85% of tariff lines in each country's Inclusion List should be at 0-5% rates; by 2001, 90% and by 2002, all tariff lines in the Inclusion List should be at 0-5% (including, in principle, Temporary Exclusion List products that are supposed to be phased into the Inclusion List no later than the year 2000). The Tariff Commission, following public hearings, prepared an Executive Order to reduce preferential duty rates on 850 tariff lines, in order to meet the country's commitment of having 85% of tariff lines at 0-5% rates in 2000. The EO has not yet been issued.

Companies with operations in at least two ASEAN member countries can potentially benefit from special accelerated CEPT preferential duty rates under the ASEAN Industrial Cooperation (AICO) scheme. Interested companies must apply to the Philippine Board of Investments (BOI), which will consider the request. Applications are subjected to a public hearing process. Most of the products in the projects approved to date are in the automotive and consumer products sectors. In line with an ASEAN decision made in 1998, BOI relaxed certain application procedures for any companies that submit applications for AICO preferences before December 31, 2000.

APEC

As a member of the Asia Pacific Economic Cooperation (APEC) forum, the Philippines has committed to participate in the move toward the establishment of free trade in the region. Developed economies are expected to establish free and open trade by the year 2010, developing economies like the Philippines have until 2020 to eliminate barriers.

The Philippines agreed to participate in the eight Early Voluntary Sectoral Liberalization (EVSL) initiatives (now called Accelerated Tariff Liberalization, ATL) endorsed at the 1997 APEC Leaders Meeting in Vancouver. However, the Philippines lodged extensive reservations, including on the principle of tariff elimination. Philippine officials stated that they could not agree to tariff elimination for both policy and revenue reasons. The Philippines also requested flexibility on end dates.

B. Tariff and Non-Tariff Barriers

Over the past 15 years, the Philippines has gradually liberalized tariff and non-tariff barriers. Tariffs have fallen significantly, although import-sensitive industries and agricultural sectors continue to benefit from relatively high tariff protection. The government has also given higher tariff protection to so-called strategic industries (automobiles, petrochemicals, steel) and “export winners” (garments, handicrafts). Agricultural products are subject to complicated licensing and import permit procedures. Quantitative restrictions apply to rice and fish and fisheries products.

The Philippines maintains high tariff rates on sensitive agricultural products, including grains, livestock and meat products, sugar, certain vegetables, and coffee. Examples include feed grains, particularly corn (in-quota rate of 35% and an out-quota rate of 65%); potatoes (in-quota rate of 45% and a 60% out-quota rate); and coffee beans (in-quota rate of 10% and 60% out-quota rate**.** Fifteen tariff lines of agricultural commodities (at the 4-digit HS level) are currently subject to minimum access volume (MAV) tariff-rate quotas (TRQs). Products covered by these TRQs include live animals, fresh and chilled beef, chilled pork, poultry meat, goat meat, potatoes, coffee, corn, and sugar. Administrative Order (A.O.) 9 of 1996, as amended by A.O. 8 of 1997 and A.O. 1 of 1998, established the rules by which these TRQs are implemented and import licenses are allocated.

Section 109 of the Agricultural and Fisheries Modernization Act (Republic Act 8435) provides that all duty-certified enterprises engaged in agriculture and fisheries shall, for five years, be exempted from the payment of tariff duties on all types of agriculture and fisheries inputs, equipment and machinery. Joint Administrative Order No. 1, which took effect January 1, 1999, eliminated tariffs on a list of 118 agriculture and fisheries inputs, equipment and machinery. Executive Order 209, which took effect March 16, 2000, listed 60 tariff lines of fishing vessel, fishery equipment and paraphernalia eligible for tax and duty-free importation for five years.

C. Tariff Rates

Raw materials and manufactured items not locally produced face low duties, while intermediate products and raw materials produced locally are generally assessed duties of 7% or 10%. Finished products which compete with those produced locally are subject to tariff rates of between 15-30%.

The highest rates of duty, 35-65%, are assessed on sensitive agricultural commodities.

Of the 5,692 total tariff lines, 5.5% are tariff-free while 47% are currently dutiable at 3%. Tariff lines dutiable at 5% and 7% account for 12.4% of total tariff lines; while lines at 10% account for 16.6%; lines at 15% account for 7.2%; and lines at 20% account for 8.2% of total tariff lines. Three percent of tariff lines carry rates above 20%; the highest duty rate is 65%. As a participant in the WTO Information Technology Agreement, the Philippines has eliminated or will eliminate by 2005 tariffs on all products included in the ITA. Overall, the unweighted average nominal tariff has been progressively reduced from 27.84% in 1990 to 9.98% in 1999 and 8.08% in 2000.

For the year 2000, key sectoral average tariff rates are:
(a) Agriculture and food – 14.62%;
(b) Textiles, paper, wood and leather – 11.32%;
(c) Base and non-base metals – 7.36%;
(d) Machinery and transport equipment – 5.56%; and
(e) Chemicals and products – 4.17%.

Under the Philippine Government's comprehensive tariff reform program, set out in 1996 by the previous Administration in Executive Orders (E.O.) 264 and 288, applied MFN tariff rates for all but sensitive agricultural commodities are being gradually reduced to target rates of 3% for raw materials and 10% for finished products by January 2003, and a uniform 5% tariff rate by January 2004. The present Administration has yet to state definitely whether this reduction schedule will be pursued for all products. The existing tariff schedule does not specify rates beyond the year 2000. A schedule for 2001-2004 is still being discussed within the Government.

In response to requests from import-sensitive industry sectors (including the petrochemicals, garment and apparel, and wood products, industries) the Philippines revised the rate reduction schedule for a number of product categories in 1998 and 1999. E.O. 465 and E.O. 486, which became effective on January 21, 1998 and July 7, 1998, respectively, implemented a more gradual rate reduction schedule for many items, higher rates for some tariff headings (garments, textiles, certain petrochemicals, ammunition and unfinished automotive vehicles imported in kit form), and lower rates on other headings, including some agricultural products. In January 1999, President Estrada signed E.O. 63 reversing planned reductions in the applied MFN tariff rates for yarns, threads, fabric, apparel, and kraft liner paper. Higher rates on these products were originally imposed in January 1998 by E.O. 465 for one year only; E.O. 63 extended these rates through 1999. Rates on these items returned to 1997 levels in the year 2000.

Imports of finished automotive vehicles (completely built-up units) are subject to a 30% tariff as an incentive to promote local assembly under the Philippines' Motor Vehicle Development Program. The duty rate on automotive vehicles is currently the highest duty rate applied to a non-agricultural product. E.O. 465, signed in 1998, increased tariffs on completely-knocked-down (CKD) automotive vehicle imports from 7% in 1998 to 10% in 1999 through 2000.

D. Prohibited/Regulated Imports

The following commodities may not be imported into the Philippines:

— Dynamite, gunpowder, ammunition and other explosives, firearms and weapons of war, and parts thereof, except when authorized by law;

— Written or printed articles in any form containing any matter advocating or inciting treason, rebellion, insurrection, sedition or subversion against the government of the Philippines, or forcible resistance to any law of the Philippines, or containing any threat to take the life of, or inflict bodily harm upon any person in the Philippines;

— Written or printed articles, negatives or cinematic films, photographs, engravings, lithographs, objects, paintings, drawings or other representation of an obscene or immoral character;

— Articles, instruments, drugs and substances designed, intended or adapted for producing unlawful abortion, or any printed matter which advertises or describes or gives directly or indirectly information where, how or by whom unlawful abortion is produced;

— Roulette wheels, gambling outfits, loaded dice, marked cards, machines, apparatus or mechanical devices used in gambling or the distribution of money, cigars, cigarettes or other articles when such distribution is dependent on chance, including jackpot and pinball machines or similar contrivances, or parts thereof;

— Lottery and sweepstakes tickets, except those authorized by the Philippine government, advertisements thereof, and 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 of which do not indicate the actual fineness of quality of said metals or alloys;

— Any adulterated or misbranded articles of food or any adulterated or misbranded drug in violation of the provisions of the "Food and Drugs Act";

— Marijuana, opium, poppies, coca leaves, heroin or any other narcotics or synthetic drugs which are or may hereafter be declared habit-forming by the President of the Philippines, or any compound, manufactured salt, derivative, or preparation thereof, except when imported by the government of the Philippines or any person duly authorized by the Dangerous Drugs Board, for medicinal purposes only;

— Opium pipes and parts thereof, of whatever material;

— Used clothing and rags (R.A. 4653);

— Toy firearms and explosives (Letter of Instruction 1264 dated July 31, 1982); and

— Chlorofluorocarbon (CFC) and other ozone-depleting substances.

Regulated commodities require clearance/permits from appropriate government agencies prior to importation into the Philippines. These commodity groups are:

Commodity Group	Government Agency Issuing Clearance
— Acetic anhydride	Ms. Mae Unite Chief – Control, Regulation and Intelligence Division Dangerous Drugs Board Champ Building Anda Circle, Bonifacio Drive Port Area, Manila Phone: (632) 527-32-23 Telefax: (632) 527-32-13
— Rice and corn	Mr. Conrado Ibanez Director – Directorate for Marketing Operations National Food Authority Matimias Building 101 E. Rodriguez, Sr. Ave. Quezon City Phone: (632) 712-1564 Fax: (632) 712-1660/1372
— Sodium cyanide	Ms. Angelita Bravante Chief – Chemical Substance Management Section Environmental Management Bureau (EMB) Dept. of Environment and Natural Resources (DENR) DENR Compound, Visayas Ave. Diliman, Quezon City Phone: (632) 426-4332 Fax: (632) 426-4335
— Penicillin/derivatives	Ms. Nazarita Lanuza Chief – Regulation Division 2 (for raw material imports) Ms. Ofelia Alba Chief - Regulation Division 1 (for finished products) Bureau of Food and Drugs Filinvest Corporate City Alabang, Muntinlupa Phone: (632) 807-8275 Telefax: (632) 807-0725

— Coal and coal derivatives

Ms. Zenaida Moncada
Director – Energy Industry
Admin. Bureau (EIAB)
Dept. of Energy
PNPC Complex, Merritt Road
Fort Bonifacio, Taguig,
Metro Manila
Phone: (632) 845-0893
Fax: (632) 844-65-44

— Color reproduction machines

Mr. Pablo Ballaran
Chief – Identification and
Records Division
National Bureau of
Investigation (NBI)
NBI Bldg, Taft Ave., Manila
Phone: (632) 523-2437
Fax: (632) 526-1216

and

Ms. Teresita Manique
Director - Cash Department
2/F Multi-Storey Building,
Bangko Sentral ng Pilipinas
A. Mabini St., Manila
Phone: (632) 525-3082
Fax: (632) 536-6007

— Chemicals for the manufacture of explosives

Sr. Supt. Jose Marlowe Pedragosa
Chief – Firearms and Explosives Division
Philippine National Police
Camp Crame, Quezon City
Phone: (632) 724-8710
Fax: (632) 722-7570

— Pesticides including agricultural chemicals

Ms. Bella Fe Carmona
OIC – Pesticides Regulatory Division
Fertilizer and Pesticide Authority
4/F Building B, NIA Complex
E. delos Santos Ave.
Quezon City
Telefax: (632) 922-3368
and (632) 922-3355

— Motor vehicles, parts

and components	Atty. Alexander Arcilla Director – Bureau of Import Services Dept. of Trade and Industry Oppen Building Sen. Gil Puyat Ave. Makati City Phone: (632) 890-5418 Fax: (632) 895-7466
— Truck and automobile tires and tubes, all sizes, used — No-dollar imports of used motor vehicles	
— Warships of all kinds	Asst. Sec. Cezar Bello Installation and Logistics Dept. of National Defense Camp Aguinaldo, Quezon City Phone: (632) 911-6227 Telefax: (632) 911-6244 and (632) 9116227
— Radioactive materials	Mr. Domingo Domondon Chief – Nuclear Regulations, Licensing and Safeguards Division Philippine Nuclear Research Institute Commonwealth Ave., Diliman, Quezon City Phone: (632) 929-6011 loc. 244 Fax: (632) 920-1646
— Legal tender Philippine currency in excess of P10,000	Ms. Celia Gonzales Director – Foreign Exchange Department Rm. 311 5-Storey Building Bangko Sentral ng Pilipinas A. Mabini St., Manila Phone: (632) 536-6077 Fax: (632) 536-6072
— Global personal communication handsets for commercial sale	Engr. Efren Cabanlig Director – Radio Regulation Licensing Dept. National Telecommunication Commission NTC Building, BIR Road, East Triangle, Diliman, Quezon City Phone: (632) 924-4024 Fax: (632) 924-3787

— Wood materials (including logs and lumber, plywood and veneer, poles and piles)	Mr. Al Rashid Ismael Director – Forest Management Bureau FMB Bldg., Visayas Ave. Diliman, Quezon City Phone: (632) 925-2138 Fax: (632) 920-0374

E. Import Taxes and License Requirements

Import Taxes

Almost all products, including imports, are subject to a 10% value-added tax (VAT). The VAT is imposed on imports for resale or reuse. Exemptions from the VAT include the sale or importation of agricultural and animal food products in their original state; the sale or importation of feeds, seeds, and fertilizers; the sale and importation of coal, natural gas, and certain petroleum products subject to excise tax; and the importation of passenger and/or cargo vessels of more than 5,000 tons to be operated by the importer. The VAT is based on the valuation determined by the Bureau of Customs for the application of customs duties, plus those duties themselves, excise taxes, and other charges (other charges refer to charges on imports prior to release from customs custody, including insurance and commissions).

Certain products, whether domestically manufactured or imported, are subject to excise tax. These include alcohol products, tobacco products, petroleum products, mineral products, fireworks, cinematography films, automobiles, artificial sweeteners, jewelry, perfumes/toilet waters, and yachts/similar vessels.

U.S. producers of distilled spirits and automobiles have raised concerns about certain discriminatory aspects of the Philippines' excise tax system. For example, the excise tax structure for automotive vehicles includes tiers based on engine displacement rather than vehicle value. The excise tax structure for distilled spirits has the effect of subjecting most imported distilled spirits to a higher excise tax than that applied to distilled spirits produced from indigenously available materials.

Import License Requirements

A broad range of commodities require import clearance/licenses from appropriate government agencies prior to importation into the Philippines. These commodity groups, and the relevant government agencies, are listed in Section Section D, above.

The National Food Authority (NFA) remains the sole importer of ordinary rice and continues to be involved in imports of corn. Private grain dealers may import premium or fancy rice only with an Import Clearance issued by the NFA. As noted above, fifteen tariff lines of agricultural commodities (at the 4-digit HS level) are currently subject to minimum access volume (MAV) tariff-rate quotas (TRQs). Administrative Order (A.O.) 9 of 1996, as amended by A.O. 8 of 1997 and A.O. 1 of 1998, established the rules by which these TRQs are implemented and import licenses are allocated.

The Environmental Management Bureau (EMB) of the Department of Environment and Natural

Resources (DENR) banned the importation and consumption of Chloroflourocarbons (CFCs) and Halons, effective January 1, 1999. In the EMB/DENR announcement furthering implementation of Republic Act 6969, the only exception is when the CFCs will be used for servicing old equipment, for which importation and consumption may be allowed until the year 2010. The Bureau of Customs will release the substances only to importers registered and accredited by the EMB/DENR.

The DENR allows the importation of wood materials (including logs and lumber, plywood and veneer, poles and piles) by a holder of Timber License Agreement (TLA), Industrial Forest Management Agreement (IFMA), Wood Processing Plant Permit (WPPP) or Certificate of Registration (CR) as furniture manufacturer, agent, contractor, or dealer of logs and lumber; provided that the holder shall have his TLA, IFMA, WPPP or CR registered with the Philippine Wood Producers Association (PWPA) and subsequently stamped by the Office of the Regional Executive Director/DENR as a valid Authority to Import. Aside from the Authority to Import, the Bureau of Plant Industry's Plant Quarantine Officer requires the importer to submit the Phytosanitary Certificate pertaining to the imported wood materials issued by the country of origin. DENR's revised regulations governing the entry and disposition of imported wood materials (A.O. 99-46) took effect on December 6, 1999.

The National Telecommunications Commission (NTC) authorized the use of satellite-based cellular phones (Global Mobile Personal Communications by Satellite – GMPCS), effective April 15, 1999. Prior to importation of handsets for this purpose, cellular phone service providers or authorized equipment dealers importing GMPCS handsets into the country are required to obtain an import certification from the NTC.

F. Customs Regulations and Contact Information

On March 31, 2000, the Philippine Government's contract with Societe Generale de Surveillance (SGS) for preshipment inspection services ended. As of that date, the Selective Preshipment Inspection Advance Clearance System (SPACS), instituted in March 1998, also terminated. Thus, effective April 1, 2000, there is no longer any physical preshipment inspection requirement for exporters, and all import declarations should be filed directly with the Bureau of Customs, which has assumed full responsibility for all customs valuation, classification, and clearance functions, at least for an unspecified "interim period." Government officials have said they will assess later in 2000 whether there is still a need for an outside contractor to perform or support customs clearance function. If problems are identified, the Government may bid out a new contract for preshipment inspection or other services, depending on the type of problems encountered.

The termination of SPACS means importers no longer need to obtain a Clean Report of Findings (CRF) from SGS, nor is there any physical preshipment inspection requirement for exporters. Instead, all importers or their agents will be required to file import entries with the BOC, which will then process these entries through its Automated Customs Operating System (ACOS).
ACOS uses a computer system to classify shipments as low-risk (green lane), moderate risk (yellow lane) or high risk (red lane). BOC officials say that shipments channeled through the yellow lane will require a documentary review, while red lane shipments will require physical inspection at the port. According to BOC, green lane shipments are not subject to any documentary or inspection requirements. BOC has also added a "Super Green Lane" for the largest importers (see below).

BOC issued a series of regulations in December 1999 governing the implementation on January 1, 2000 of transaction value and outlining procedural steps importers will need to follow. Several of these regulations were revised on April 3, 2000.

Clearance Requirements

On April 3, 2000, BOC issued CMO 3-2000, "Enhanced Cargo Clearance Procedures with Provisions on Tentative Release." CMO 3-2000 modifies and replaces two CMOs issued in December 1999, and outlines the documentary requirements and processing steps necessary to clear imports through BOC, except those made through the Super Green Lane. CMO 3-2000 states that the following documents will be used in clearing import at the BOC:

- - Import Entry and Internal Revenue Declaration (IEIRD) Form (BC Form 236), which includes the Supplemental Declaration of Valuation (SDV) form. The guidelines for completing the IEIRD form are included in CMO 1-96A;
- - Bill of Lading or Air Waybill or House Bill of Lading, where applicable;
- - Commercial Invoice;
- - Packing List; and
- - "Other additional documents as may be required."

CMO 3-2000 also states that "the IEIRD shall be based on self-assessment" and that "the declarant shall compute the duties and taxes using the applicable valuation method as prescribed in Section I of CAO 2-99." At ports of entry equipped with the automated clearance system (ACOS), entries are supposed to be filed electronically. Entries will be classified by a computerized selectivity system into either "green lane entries" or "selected entries," based on enforcement or valuation concerns. "Selected entries" will go through the "yellow" or "red" lanes.

Valuation

Customs Administrative Order (CAO) 2-99 specifies that the listed methods must be applied in sequence. Method 1 is transaction value. It specifies that, if the buyer and seller are related, use of transaction value is acceptable if the circumstances surrounding the transaction demonstrate that the relationship did not influence the price, or the transaction value closely approximates: the transaction value in sales to unrelated buyers of identical or similar goods; the deductive value of identical or similar goods; or the computed value of identical or similar goods. If the dutiable value cannot be determined under this first method, the transaction value shall be the value of identical goods for export to the Philippines and exported at or about the same time as the goods being valued. CAO 2-99 goes on to outline four other sequential valuation methods: the transaction value of similar goods; deductive value; computed value; and the "fall back" valuation methodology.

Section 10 of CMO 3-2000 establishes a "Valuation and Classification Review Committee" (VCRC) at each port of entry, chaired by the Deputy Collector for Assessment at that port. All entries tagged by the computerized selectivity process as "selected entries" for valuation reasons will be forwarded to the VCRC for review. Other entries may also be forwarded for review. The VCRC will "determine if there is a genuine valuation issue," and when such an issue exists "determine whether delay will ensue in the determination of customs value." Section 10.3 states that a genuine valuation issue exists when:

-- The shipment is hit by the valuation screen of the ACOS selectivity system; and
-- At least one of the elements under the Transaction Value (method 1) is inconsistent with the declaration and/or is missing; and/or,
-- The VCRC establishes that the method of valuation used by the declarant is incorrect.

A VCRC evaluator is supposed to check the declared value against a value range or value "data warehouse" (i.e., database). The VCRC can process requests for tentative release and recommend the applicable method of valuation under CAO 2-99. Section 11.9 of CMO 3-2000 states that "for shipments where tentative release is not availed of, the VCRC shall resolve the (valuation) issue within 24 hours." For shipments under tentative release, importers will have 15 days, extendable to a maximum of 30 days, to furnish additional information to Customs. Once that information is furnished, the VCRC is supposed to resolve the issue within 24 hours. Section IV.9 states that "if the importer disputes the final assessment of the Collector through the VCRC, the importer may appeal the decision of the VCRC to the Commissioner of Customs."

Part IV of CMO 3-2000 defines procedures for the tentative release of shipments under bond, pending resolution of valuation issues. All requests for tentative release must be approved by the VCRC. Tentative release is not allowed in cases where the shipment is the subject of an alert/hold order or has incurred a violation that would merit issuance of a seize order. Section 3 of Part IV states the amount of the bond "is equivalent to the difference in duties, taxes and other charges assessed by Customs, using any of the acceptable methods of valuation as against the duties, taxes and other charges computed based on the declaration plus 25%."

CMO 27-99 establishes an appeals mechanism. Section III of CMO 27-99 states that importers, upon payment of a Docket Fee (based on a sliding scale established in CAO 2-99) may file a formal protest with the Collector of Customs through the Law Division of the port concerned. Section III.3 states "the Collector shall form a panel of experts to hear the case…composed of a hearing officer from the law division and (customs officials) from the assessment unit." The officials involved in the initial assessment are not supposed to be chosen as members of the panel. The following procedural timeline applies to appeals cases handled in this manner:

-- Within 30 days of the first hearing (up to a maximum of 60 days in certain cases), panel recommends decision to the Collector of Customs, through the Chief of the Law Division

— Within 15 days after receiving the recommendation, Collector of Customs renders decision on the appeal.

-- If decision is "adverse to the government," decision is elevated to Commissioner of Customs for review, within five days.

-- If importer is dissatisfied with Collector's decision, he may, within 15 days, file a notice of appeal to the Collector. Collector immediately forwards case to theCommissioner for review. Commissioner will consider appeal, but only upon payment by importer of an additional docket fee. Appeal will be deliberated on "by a permanent board of three to be created by the Commissioner of Customs." Board will be chaired by an attorney from the Appellate Division, Legal Service, and includes two valuation experts from the import and assessment service.

-- The Commissioner is supposed to render a decision on theappeal within 30 days of receipt of the case from the District Collector. If no decision is rendered within 30 days, the decision of the District Collector is considered upheld.

— If the Commissioner "renders a decision which is adverse to the government," within five days of the decision, the case must be elevated to the Secretary of Finance for automatic review.

-- If the Secretary of Finance upholds a decision adverse to the importer, the importer may file a case before the Court of Tax Appeals.

Super Green Lane

On March 27, BOC formally established a "Super Green Lane" (SGL), promising qualified importers immediate, no-questions-asked clearance of goods, other than goods subject to import licenses and other controls. The SGL began operations May 10. Cleared goods may be subject to random post-entry inspections, but only at the importers premises. In addition to duties and taxes, BOC is authorized to charge a P2500 ($60) fee, on a per-importation basis, for goods cleared through the SGL. Executive Order 230 provides the legal basis for the SGL, while CAO 2-2000 contains implementing regulations.

CAO 2-2000 outlines criteria used to determine qualified companies: that the importer has not been subject to disciplinary action or penalties by the BOC; that subjectimports are not prohibited; and that the importer hasbeen transacting with BOC for at least one year and falls within the top 1000 importers in terms of duties and taxes paid. Eligible importers need to qualify annually, sign a memorandum of agreement with BOC, and file import declarations electronically through BOC's electronic data interchange (EDI) system (CMO 22-99 outlines procedures and guidelines for the remote lodgement of import entries). Those accredited will receive a "Certificate of Qualification." While the regulations provide that the top 1000 importers will be eligible, BOC has initially limited participation to the top 120 importers. BOC officials say that the program will be expanded to the rest of the top 1000 importers within several months "in line with international trade facilitation objectives." An Internet-based filing system is under development, and should replace the EDI system next year.

Importer Classification Board

The Department of Finance (DOF) and Department of Trade and Industry (DTI) Joint Order 2-99, establishing an importer accreditation program to classify importers according to risk, took effect April 22, but has not yet been implemented. Section 1 of JO 2-99 states that most importers (except those in economic zones and in certain other instances) shall be required "to secure classification" from an "Importers Classification, Monitoring, and Review Board" (ICMRB). The Board will classify importers as "low risk", "medium risk" or "high risk." Section 4.5 of JO-2-99 states that, to be classified as "low risk," an importer must have a three-year track record of importations; no violations over a three year period of customs, internal revenue or trade laws; net assets of not less than one million pesos ($25,000); and "no confirmed adverse information on the applicant or its broker relating to their import-export activities." Importations of firms classified as "low risk" will be channeled through the green lane. If a firm is not classified as "low risk," its shipments will be channeled through the yellow or red lanes. Certification of firms will be valid for a three-year period, although firms may apply for an upgrading of the classification at any time. Importers who fail to apply for classification will not be precluded from importing; however, all their imports will be channeled through the red lane. DOF officials have said implementation of the mandatory classification regime is still several months off.

All importers, including those using the SGL, will have to go through the importer accreditation program and be classified as "low risk." Those importers outside the top 120 importers (or eventually outside the top 1000), if accredited as "low risk," will have importations coursed through the normal green channel, not the SGL.

Copies of CAO 2-99, CAO 2-2000, CMOs 27-99 and 3-2000, DOF/DTI Joint Order 2-99 and other pertinent regulations may be obtained from the Commercial, Agricultural, or Economic Sections of the U.S. Embassy in Manila, fax 63-2-888-6606 or 63-2-522-4361.

Customs Contact Information

Queries related to valuation and clearance:
Bureau of Customs (BOC)
Atty. Titus Villanueva, Deputy Commissioner
Assessment & Operations Group
South Harbor, Port Area, Manila
Phone: (632) 527-9473
Telefax: (632) 527-4602

Queries related to tariff nomenclature and classification:
Tariff Commission
Dr. Emmanuel T. Velasco, Chairman
5th Floor, Philippine Heart Center Bldg.
East Ave., Quezon City
Phone: (632) 928-8106
Telefax: (632) 921-7960
E-mail:tarcm@nedamis.neda.gov.ph

G. Temporary Goods Entry Requirements

All articles brought into the Philippines for repair, processing or reconditioning to be re-exported upon completion of repair, processing or reconditioning are exempted from the payment of import duties. However, a bond amounting to one and one-half times the ascertained duties and taxes and other charges should be filed with the Bureau of Customs within six months from the date of acceptance of the import entry.

H. Special Import/Export Requirements and Certifications

Import Requirements and Certifications

A few commodities are regulated, i.e., their importation will be allowed if covered by an import authority issued by the concerned government agency. Fewer still are prohibited, those that are specifically prohibited under Section 101, Tariff and Customs Code of the Philippines (TCCP), as amended, and other special laws.

The importation status of any commodity (whether prohibited, regulated or freely importable) may be checked/verified with the Bureau of Customs (BOC), Department of Trade Industry (DTI), Bangko Sentral ng Pilipinas (Central Bank of the Philippines) or any of its authorized agent banks, and the Department of Agriculture for importation which require the issuance of the Minimum Access Volume Import Certificate such as importation of swine, chicken etc.

Import documents required for all shipments to the Philippines are: (1) commercial invoice; (2) bill of lading or air way bill for air shipments; (3) certificate of origin (if requested); (4) packing list; and (5) various special certificates required due to the nature of goods being shipped and/or requested by importer/bank/letter of credit clause, e.g., (a) Bureau of Food and Drugs license, (b) Commercial Invoice of Returned Philippine Goods and (c) Supplemental Declaration on Valuation. (See Chapter VI-F: Customs Regulations and Contact Information).

Import Requirements for Pharmaceutical Products

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

After the issuance of the license to operate, all imported finished products (in original packaging) intended to be distributed commercially should be submitted to Products Services Division for registration and submit the documents as specified in the checklist of requirements. All raw materials are exempted from registration.

In case of antibiotics, in addition to product registration, each batch should be submitted for batch certification before distribution.

For penicillin-containing pharmaceutical products, a holder of a valid license to operate as drug distributor/importer should apply for permit to import and submit all documents as specified in the checklist of requirements.

Checklist of Requirements for Drug Distributors

1. Accomplished Notarized Petition Form/Joint Affidavit of Undertaking

2. List of products to be distributed identified by generic names and brand names

3. Reference materials:
- Philippine National Drug Formulary

- R.A. 3720 – Foods, Drugs, Devices & Cosmetics Act
- R.A. 6675 – Generics Act of 1988 and relevant implementing rules and regulations
- R.A. 5921 – Pharmacy Law as amended and relevant implementing rules and regulations
- R.A. 8203 – Special Law on Counterfeit Drugs and its implementing rules and regulations

Any one of the following reference books:
- United States Pharmacopeia/National Formulary (USP/NF)(latest edition)
- Remington's Pharmaceutical Sciences (latest edition)
- Goodman & Gilman Pharmacological Basis of Therapeutics (latest edition)

4. Batch Distribution Record Book

5. Copies of Pharmacist's Registration Certificate, PRC (Philippine Regulation Commission) ID, valid PTR, ID picture, Duties and Responsibilities, Certificate of Attendance of owner/ pharmacist to a BFAD seminar on Licensing of Drug Establishments and outlets

6. Location Plan/Floor Plan (Office and Storage Room) with dimensions

Photocopies of the following:

- If corporation, Registration Certificate with SEC and Articles of incorporation or partnership
- If single proprietorship, Certificate of Business Name Registration with Bureau of Trade Regulation and Consumer Protection (BTRCP)
- Contract of Lease for the space of the office and storage if the applicant does not own the building

- If importer:
  - Foreign Agency Agreement from each supplier duly authenticated by the Territorial Philippine Consulate
  - Certificate of Registration of manufacturer and its conformity with GMP from Health Authority (for finished products only)
- If wholesaler:
  - A valid contract with BFAD licensed supplier/manufacturer
  - Certification that the products it sells are registered with BFAD
  - LTO (License To Operate) of manufacturer
- If Exporter:
  - A valid contract with BFAD licensed supplier/manufacturer
  - Certification that the product it sells are registered with BFAD
  - LTO of manufacturer

Import Requirements for Food Products

The Philippines is a signatory to the World Trade Organization and has lifted quantitative restrictions on imports of food products except for rice. Rice may be imported only by the Philippine Government through the National Food Authority, formerly an attached agency of the Department of Agriculture, now seated in the President's Office for Food Security. The Philippines replaced the previous import restrictions with quota rate tariffs on some sensitive agricultural products. Quarantine Clearances that serve as import licenses are required prior to the importation of fresh fruits and vegetables as well as all kinds of meat and meat products and now for fisheries products (see section on Importation of Fresh Produce and Meat). All other food product imports do not have licensing requirements except where permits are required for commodities entering duty-free or are taking advantage of an in-quota tariff on items such as live swine, frozen pork, frozen chevon, frozen poultry, fresh/chilled potatoes, coffee beans, corn, coffee extract.

Import Regulations for Processed Food Products

Philippine food regulations generally follow the U.S. Food and Drug Administration policies and guidelines as they pertain to food additives, good manufacturing practices and suitability of packaging materials for food use. Hence, compliance with U.S. regulations for packaged foods, particularly for labelling will almost always assure compliance with Philippine regulations. All food products offered for sale in the Philippines must be registered with BFAD. Registration of imported products may only be undertaken by a Philippine entity, although some documentation and, for certain types of products, samples need to be provided by the exporter. Products have been divided into two categories with distinct sets of registration requirements and procedures.

Category I includes: bakery & bakery related products; non-alcoholic beverages & beverage mixes; candies & confectionery products; cocoa & cocoa related products; coffee, tea & non-dairy creamer; condiments, sauces & seasonings; culinary products; gelatine, dessert preparation & mixes; dairy products; dressings & spreads; flour/flour mixes & starch; fish & other marine products; fruits, vegetable & edible fungi (prepared); meat and poultry products (prepared); noodles, pastas & pastry wrapper; nut & nut products; native delicacies; oils, fats & shortening; snack foods & breakfast cereals and; sugar & other related products.

Category II includes: alcoholic beverages; food supplements; tea (herbal); bottled drinking water; foods for infant & children; foods for special dietary use; transgenic food products (use of genetic engineering/ biotechnology) and; ethnic food products with indigenous ingredient(s) not common in the Philippines.

An application for registration should be filed by the Philippine importer for the importation and distribution/offer for sale for each class per brand of product. Only products with a valid Certificate of Product Registration from BFAD will be allowed for sale in the Philippines.

Following are the list of requirements for the registration of food products:

Category I

1. Letter of application for registration from importer/distributor
2. Accomplished Affidavit of Undertaking, typewritten and notarized
3. Accomplished product list by product classification, three (3) copies
4. Valid License to Operate (from BFAD) with name of supplier/source(s) of imported food products
5. Copy of sales invoice
6. One sample of each product in commercial presentation and a copy of the label that is in conformance with Codex Labeling Regulations and BFAD requirements. In lieu of product sample, a colored picture of each product may be submitted. A sticker indicating the name and address of the importer must be attached if such information is not printed on the label.

7. Registration fee of Pesos 25 per product

Category II

1. Letter of application for registration from importer/distributor
2. Valid License to Operate (LTO) as an importer/distributor (issued by BFAD)
3. Product Information
    a. List of ingredients in decreasing order of proportion. For additives with prescribed limit, the amount added must be indicated.
    b. Finished product specification (physico-chemical and microbiological)
4. Samples of the product in its commercial presentation for laboratory analysis.
5. Loose label and labeling materials to be used for the products.
6. Estimated shelf-life, parameters used and methods for determining shelf-life.
7. Brief description/flow diagram of the method of manufacture
8. Certificate of analysis. Include analytical methods used. Additional requirements for food supplements may apply as necessary.
9. Registration fee of Pesos 25 per product plus cost of laboratory analysis.

Laboratory testing by BFAD for products under category II is mandatory to determine the safety of the product and to assure that there will be no misbranding or adulteration of products. Products under Category I may be subject to random examination at any time during the validity of the registration and the cost of laboratory analysis shall be charged to the importer.

A Certificate of Product Registration (CPR) shall be issued by BFAD and shall be valid for two (2) years. Subsequent renewal of CPR shall be valid for a period of three (3) years.

Exporters should also note that a Philippine importer needs to secure a License to Operate from BFAD, which is actually a pre-requisite for the registration of any food products. The License lists names of foreign suppliers or sources of the products being registered. Thus, the importer is required to obtain from the exporter and submit to BFAD the following: (1) a copy of the Foreign Agency Agreement duly authenticated by the Philippine Consulate in the country of origin; and (2) a Certificate of Status of Manufacture by the exporter issued by the Government Health Agency from the country of origin which should also be authenticated by the Philippine Consulate.

Import Regulations for Fresh Produce and Meat

At the time of this report, the Philippines is in the process of changing regulations regarding the issuance of quarantine certificates, particularly on meat products. Much of the reason for this comes from complaints against imports by local producers. Although a rather restrictive administrative order was initially created for veterinary quarantine certificates, its effectivity has been suspended until further review. Input is being allowed from major trading partners such as the U.S., Canada and Australia. It is hoped that the substantial administrative delays built into the first version of this regulation is removed since the Philippines will most likely now rely on the newly created safeguards measure.

Nevertheless, one major change has been the implementation of a quarantine certificate requirement for fisheries products. Although the regulation had previously been on the books, only in 1999 did it begin to be applied. Again this is primarily in response to complaints about imports from the local fisheries industry.

No changes in regulations are reported for the Bureau of Plant Industry (BPI) of the Philippine Department of Agriculture regulates imports of fresh fruits and vegetables. All imports of fresh produce require phytosanitary clearances from BPI which also serve as import licenses. These clearances are applied for by the Philippine importer for each shipment. Shipments of fresh fruits and vegetables should be accompanied by a USDA Phytosanitary Certificate (PC) issued at the port of origin. The freight container number and corresponding seal number should be listed on the PC under distinguishing marks. Shipments from the U.S. may transit through Hong Kong, Taiwan, etc., however, container seals should remain intact. Breakage of container seals before verification by BPI on arrival may subject shipment to re-exportation or precautionary fumigation. The BPI also conducts random checks on shipments.

Market access for fresh fruit imports for oranges, tangerines and grapefruit from Florida have been achieved in 1999 with the approval of a protocol for these products. The protocol allows imports from areas controlled for the caribfly in Florida. However, fresh fruit imports from Texas are still currently prohibited due to phytosanitary reasons, i.e., the presence of fruit flies. The efforts of the Foreign Agricultural Service in Manila will continue to try to resolve these impediments to trade.

Philippine imports of fresh vegetables have previously been restricted and occasional imports were allowed only for tourist oriented establishments. Import restrictions were lifted in 1995 as part of the Philippines Uruguay Round Commitments. However, imports remain very limited as phytosanitary import protocols for most fresh vegetables are still being formulated by the Philippine Bureau of Plant Industry. Fresh potatoes, onions and garlic are the only vegetables that have existing import protocols. The establishment of import protocols is usually a lengthy process as it involves pest and pesticide risk analysis, including ocular inspection of potential source of products by BPI personnel. Our office hopes to continue progress on this front in the near future.

Tariff rates for sensitive agricultural products were established in Executive Order 313 of March 1996 which set varying in-quota and out-quota rates for most tariff lines. In-quota rates apply to products imported within established minimum access volumes (MAV). Any imports in excess of the MAV would be assessed the out-of-quota rate. Most of the MAV products are those for which the Government committed to WTO to provide minimum market access in exchange for the lifting of quantitative import restrictions. The administration, including allocation, of minimum access volumes is handled by a MAV Management Committee. The licensing procedures followed by the Philippines for these two commodities are specified in bilateral MOU agreement. The MOU amended previous regulations that the U.S. found to be ineffective because the previous licensing scheme allowed the bulk of the allocations to given to local pork producers and poultry integrators. Please contact our office for further information on minimum access volumes and current MAV license holders.

Export Requirements and Certification

The exporter needs to fill out an Export Declaration (ED) form. The ED form is available at the Bureau of Export Trade Promotion; One Stop Export Documentation Centers (located in Metro Manila, Cordillera Administrative Region (CAR), Cagayan de Oro, Cebu, Davao, General Santos, Iloilo, Subic Bay Freeport Zone and Clark Field); Department of Trade and Industry Provincial

Offices; Bureau of Customs (BOC) Processing Units and the Philippine Exporters Confederation Inc. (PHILEXPORT) offices. (See Chapter XI: U.S. and Philippine Contacts for contact information). Prior to filing the ED form with the BOC for processing and approval, the exporter needs to secure an export commodity clearance from the proper government commodity office, if the product to be exported is included in the List of Prohibited and Regulated Products for exports or if required by the buyer (See Chapter VI-L: Export Controls). The BOC grants the Authority to Load on the ED when the required supporting documents are complete. If the exporter courses the export negotiation or payment of the export shipment through the commercial bank or offshore banking unit, he must provide the latter a copy of the duly approved ED form (for record purposes).

I. Labeling

Every imported or locally manufactured product must display the following information:

1. Registered trade or brand name;
2. Duly registered trademark;
3. Duly registered business name;
4. Address of the manufacturer, importer or repacker of the consumer product in the Philippines;
5. General make or active ingredients;
6. Net quantity of contents, in terms of weight, measure or numerical count in the metric system;
7. Country of manufacture, if imported; and,
8. If a consumer product is manufactured, refilled or repacked under license from a principal, the label shall state such facts.

The following additional information may also be required by the responsible government agency:

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

Once a product has been certified as having passed the consumer product standard prescribed by the Bureau of Product Standards of the Department of Trade and Industry, its label must contain the Product Standard (PS) quality mark. Exemptions from specific marking requirements may include: articles that cannot be marked prior to shipment without injury or at prohibitive expense; crude substances, crude products, and products imported for use by the importer and not for resale in its imported form; or products produced 20 or more years ago. For these items, the container must indicate the country of origin and product name. Mislabeling, misrepresentation or misbranding may subject an entire shipment to seizure and disposal.

Agricultural Items: Processed packaged food products are required to comply with the regulations of the Philippine Bureau of Food and Drugs (BFAD). All labeling must be in English. For U.S. products, compliance with USFDA requirements will virtually always assure compliance with Philippine regulations. It is the importer’s responsibility to satisfy BFAD requirements.

Pharmaceuticals: The "Generics Act" of 1988, which its authors state is intended to promote the use of generic pharmaceuticals, requires that the generic name of a particular pharmaceutical must appear above its brand name on all packaging.

Textile and Garment Labeling: A reasonably legible label, with letters not less than 1.5 mm in size, on which the information is stamped, printed, woven or indicated in tags, is mandatory for the following:

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

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

Method of Labeling for ready-made garments: The label must be durable enough to withstand normal laundering, and shall include the manufacturer's name or trademark or both; the percent fiber content by mass, using the generic name of the fiber in the order of predominance; and the country of origin (the address of manufacturer may also be indicated in the packaging). Labels for blouses, dresses, jackets, robes, nightgowns, shirts and sweaters must be affixed at the center back neckline, or at any other appropriate place, such as side seam, facing of front placket, etc. Labels for pants, skirts, pajamas, shorts, tights, or half-slips, must be affixed at any appropriate place, such as the inside waistband or inner facing of the ply.

Method of Labeling (for textile fabric): For finished textile fabrics in rolls or in folds, the label, which includes the trademark, the percent fiber content by mass, using the generic name of the fiber in the order of predominance, and the country of origin, must be woven into the selvedge not more than two meters apart, regardless of the width of the fabric. When it is not practical or possible to conform to the previous requirement, an alternative method shall be to print or stamp the required information on the outer-edge portion of the fabric roll or fold and, in addition, to attach tags at the beginning and end of the roll or folds. For textile piece goods, a tag must be attached to the goods when there is no label on the selvedge. In cases where tags are to be attached by the purchaser (retailer), the name of the store must be indicated.

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

J. Warranty and Non-Warranty Repairs

Generally, the government imposes a 3% duty and a 10% value added tax on replacement parts. (See Chapter VI-E: Import Taxes, Chapter VI-F: Customs Regulations and Chapter VI-G: Temporary Goods Entry Requirements.)

K. Export Controls

The Bureau of Export Trade Promotion of the Department of Trade and Industry listed 30 products that require export clearances from various government agencies prior to shipment. These products are:

	Product	Government Agency
1.	Garments and textiles, carpets polyester stable fiber, filament yarns; fabrics, upholstered furniture and other natural and synthetic fibers and all products made up in whole or in part of these fiber for export to all countries with or without quota	Garments and Textile Export Board (GTEB)
2.		Copper concentrates Board of Investments (BOI)
3.	All plants, planting materials and plant products capable of harboring pests;	Bureau of Plant Industry (BPI) insect specimens, live and dead
4.	Animals, animal products and	Bureau of Animal Industry (BAI) animal effects
5.		Sugar and molasses Sugar Regulatory Administration (SRA)
6.	Coffee	International Coffee Organization Certifying Agency (ICO-CA)-DTI
7.	Abaca and ramie seeds, seedlings, suckers, root stocks; Buri seeds and seedlings *	Fiber Industry and Development Authority (FIDA)
8.	Natural fibers: abaca, ramie, salago, maguey, sisal, kenaf, coir, buntal, cabo negro, cotton kapok, sabahon, piña, banana fiber, silk, loofah, pacol, musa species, RSA (secondary abaca fiber), canton, raffia, tikog and cocoon	Fiber Industry Development Authority (FIDA)
9.	Antiques, cultural artifacts	National Museum (NM)

		and historical relics
10.	Bakawan (mangrove) *	Forest Management Bureau (FMB), Department of Environment and Natural Resources (DENR)
11.	Logs, poles and piles including log core and flitches/railroad ties	Forest Management Bureau (FMB), Department of Environment and Natural Resources (DENR)
12.	Lumber	Forest Management Bureau (FMB), Department of Environment and Natural Resources (DENR)
13.	Bangus fry *	Bureau of Fisheries and Aquatic Resources (BFAR)
14.	Mother bangus (Sabalo) *	Bureau of Fisheries and Aquatic Resources (BFAR)
15.	Prawn-spawner and fry *	Bureau of Fisheries and Aquatic Resources (BFAR)
16.	Shells: Trumpet shells (Triton); Helmet Shells (Cassis); Live specimens, raw shells, meat and by-products of giant clams under the family Tridacnidae (Tridacna gigas, T. derasa, T. squamosa, T. maxima, T. crocea, Hippopus hippopus Porceilanus)	Bureau of Fisheries and Aquatic Resources (BFAR)
17.	Shells: Undersized raw shells of Trocas, Gold lip, Black lip, Turbo mamoratus and kapis	Bureau of Fisheries and Aquatic Resources (BFAR)
18.	Wildlife species: * a. Wild marine species, e.g. precious, semi-precious and all ordinary corals raw and by-products	Bureau of Fisheries and Aquatic Resources (BFAR)
	b. Wild terrestrial species whether live, stuffed or by-products, e.g.	Bureau of Fisheries and Aquatic Resources (BFAR)
	b.1. Mammals (i.e., tamaraw, tarsier, deers (calamian deer), sea cow, fruit bats)	Bureau of Fisheries and Aquatic Resources (BFAR)

b.2. Aves (i.e., eagles, redvent cockatoo, Palawan peacock pheasant, Palawan mynah, horn bills, nicobar pigeon, Mindoro imperial pigeon, Peregrine falcon, spotted green shank, Kotch's pitta, giant scops owl and Eastern sarus crane)	Bureau of Fisheries and Aquatic Resources (BFAR)
b.3 Reptiles (i.e., crocodiles, marine turtles, pythons)	Bureau of Fisheries and Aquatic Resources (BFAR)
b.4 Flora (i.e., lady's slipper orchid, vanda sanderiana, pitcher plant, dendrobicum cruenthum	Bureau of Fisheries and Aquatic Resources
b.5 Exotic wildlife species such as buffon macaw, scarlet macaw.	Bureau of Fisheries and Aquatic Resources (BFAR)
19. Wildlife species: a. Wild marine species, e.g. water snakes (cerberus rynchops); seasnakes: live, skin or products from the skin or meat	Bureau of Fisheries and Aquatic Resources (BFAR)
Frogs: live, skin or products from the skin or meat	Protected Areas and Wildlife Bureau (PAWB)
b. Wild terrestial species to include live, stuffed, preserved, by-products and derivatives, e.g.:	Bureau of Fisheries and Aquatic Resources (BFAR)
b.1 Mammals (i.e., Philippine monkeys, cloud-rats, ant eater, Philippine tarsier and skunk)	Bureau of Fisheries and Aquatic Resources (BFAR)
b.2 Aves (i.e., bleeding heart pigeons, java sparrows, tree sparrow, parrot finches, Phil. white-eye, Phil. starlings, hanging parakeets, brush cuckoo, plaintive cuckoo, amethyst fruit dove, blue-tailed bee-eater, crested mynah, pink-necked green pigeon, painted quail, button quails,	Bureau of Fisheries and Aquatic Resources (BFAR)

		bended rail, plain swamphen, green winged dove, slender-billed cuckoo, white-eared brown dove, kingfishers, black-naped oriole, black-naped monarch, redamadavat, guiabero)	
	b.3	Reptiles (i.e., gecko, monitor and sail-finned lizards, land turtles)	Bureau of Fisheries and Aquatic Resources (BFAR)
	b.4	Flora (i.e., tree ferns, cycasf plant, all species orchids, aloe plant, sanders alocasia, striped alocasia, voiavoi, bungang ipod, cactus, Philippine camia/garland, Himalayan yew, Agar wood, eagle wood, big-leaf mahogany and red-sanders)	Bureau of Fisheries and Aquatic Resources (BFAR)
	b.5	All species of butterflies	Bureau of Fisheries and Aquatic Resources (BFAR)
	b.6	Exotic wildlife species found under Appendix II of the CITES such as parrots, macaw, pigeons, and conures	Bureau of Fisheries and Aquatic Resources (BFAR)
20.	Firearms, ammunitions and explosives		Firearms and Explosives Office (Philippine National Police-Department of Interior and Local Government)
21.	Gold from small scale mining or panned gold		Bangko Sentral ng Pilipinas (BSP)
22.	Legal tender Philippine notes and coins, checks, money orders and other bills of exchange drawn in pesos against banks operating in the Philippines greater that Pesos 10,000.00		Bangko Sentral ng Pilipinas (BSP)
23.	Grains and grain by-products		National Food Authority (NFA)
24.	Matured coconuts and coconut seedlings *		Philippine Coconut Authority (PCA)

25.	Raw materials for cottage industries: *	Department of Environment and Natural Resources (DENR)
	a. Bamboo	Department of Environment and Natural Resources (DENR)
	b. monkey pod (acacia)	Department of Environment and Natural Resources (DENR)
	c. rattan (including poles)	Department of Environment and Natural Resources (DENR)
	d. buri fibers	Fiber Industry Development Authority (FIDA)
	e. semi-finished or semi-processed capiz shells	Bureau of Fisheries and Aquatic Resources (BFAR)
26.	Raffia Fibers	Fiber Industry Development Authority (FIDA)
27.	Stalactites and stalagmites *	Department of Environment and Natural Resources (DENR)
28.	Motion pictures/television films and related publicity materials	Movie and Television Review and Classification Board (MTRCB)
29.	Radioactive materials	Philippine Nuclear Research Institute (PNRI)
30.	All exports to socialist and centrally-planned economies: Albania, Laos, People's Democratic Republic, Ethiopia, Mozambique, Angola, Mongolia People's Republic, Democratic Republic of Korea, Nicaragua, Myanmar	Philippine International Trading Corporation

* Government prohibits export except for scientific or testing purposes.

Exporters of the following products may secure export commodity clearances if required by the foreign buyer:

Product	Government/Agency

1.	All handicrafts for export. (Exporters cannot avail Special Tariff Treatment in countries where the Philippines have trade agreements if the same do not secure handicraft certification from the Department of Trade and Industry	Department of Trade and Industry - Regional Offices
2.	Live fish (aquarium)	Bureau of Fisheries and Aquatic Resources (BFAR)
3.	Fishery by-products (shark liver-oil, shark teeth, pearl essence, fish and other fish/fishery/aquatic by-products)	Bureau of Fisheries and Aquatic Resources (BFAR)
4.	Sea Urchin	Bureau of Fisheries and Aquatic Resources (BFAR)
5.	Seaweeds and by-products	Bureau of Fisheries and Aquatic Resources (BFAR)
6.	Sponges	Bureau of Fisheries and Aquatic Resources (BFAR)
7.	Pearl	Bureau of Fisheries and Aquatic Resources (BFAR)
8.	Other fish and fishery aquatic Products	Bureau of Fisheries and Aquatic Resources (BFAR)
9.	Fishes (live, fresh, chilled or frozen)	Bureau of Fisheries and Aquatic Resources (BFAR), Bureau of Food and Drugs (BFAD), National Quarantine Office (NQO) as required by buyer
10.	Crustaceans (shrimps, crabs, lobsters, prawns), live fresh, chilled and/or frozen	Bureau of Fisheries and Aquatic Resources (BFAR)
11.	Coconut products and by-products	Philippine Coconut Authority (PCA)
12.	All processed foods, drugs, cosmetics, medical devices, and household hazardous substances	Bureau of Food and Drugs (BFAD)
13.	Steel bars	Bureau of Product Standards (BPS)
14.	Ballast	Bureau of Product Standards (BPS)

15.	Fire Extinguisher	Bureau of Product Standards (BPS)
16.	Plywood	Bureau of Product Standards (BPS)
17.	Starters	Bureau of Product Standards (BPS)
18.	Lampholder (fluorescent lamp/ Edison base)	Bureau of Product Standards (BPS)
19.	Enclosed Switch/Knife switch/ fuseholder	Bureau of Product Standards (BPS)
20.	Fuse	Bureau of Product Standards (BPS)
21.	Wire and cables	Bureau of Product Standards (BPS)
22.	Circuit breakers	Bureau of Product Standards (BPS)
23.	Switch (snap)	Bureau of Product Standards (BPS)
24.	Plugs/receptacles (outlets)	Bureau of Product Standards (BPS)
25.	Fluorescent lighting fixtures	Bureau of Product Standards (BPS)
26.	Electrical tapes	Bureau of Product Standards (BPS)
27.	Medical Oxygen	Bureau of Product Standards (BPS)
28.	Cement	Bureau of Product Standards (BPS)
29.	Synthetic detergent	Bureau of Product Standards (BPS)
30.	Pneumatic tries and inner tubes	Bureau of Product Standards (BPS)
31.	Galvanized iron (G.I.) sheets	Bureau of Product Standards (BPS)
32.	Safety matches	Bureau of Product Standards (BPS)
33.	Disposable lighters	Bureau of Product Standards (BPS)
34.	Enamel copper wires (Magnet wires)	Bureau of Product Standards (BPS)
35.	Sawn timber	Bureau of Product Standards (BPS)
36.	Wire nails	Bureau of Product Standards (BPS)

37.	Other products	Bureau of Product Standards (BPS)
38.	Tobacco products	National Tobacco Administration (NTA)
39.	Fertilizers, pesticides and other agricultural chemicals	Fertilizers and Pesticides Authority (FPA)
40.	Vessels, marine engines, space parts and other marine related items	Maritime Industry Authority (MARINA)
41.	Animals products and by-products: curio items, feathers, food and feed ingredients, and veterinary drugs and product feeds premix and water solubles	Bureau of Animal Industry (BAI)
42.	Live animals: gamefowl, wild birds and exotic animals, monkeys, other livestock and poultry, dogs and cats	Bureau of Animal Industry (BAI)
43.	Feathers, buffalo horns and animal skins	Protected Areas and Wildlife Bureau (PAWB)

L. Standards

The Bureau of Product Standards (BPS) is the Philippines' National Standards Body. A governmental agency under the Department of Trade and Industry (DTI), it develops, implements and promotes standards as prescribed in Republic Act 4109 (Charter of BPS) and the Consumer Act of the Philippines (Republic Act 7394).

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

Moreover, the BPS operates a product certification scheme under which a manufacturer obtains a license to use the Philippine Standard (PS) Quality and/or Safety Marks for its capability to consistently manufacture products in accordance with a specific Philippine National Standard (PNS) or an internationally or foreign standard acceptable to BPS. To upgrade the National Product Quality Certification Scheme, Department of Administrative Order (DAO) No. 1 series of 1997 was released to enable Philippine enterprises achieve world-class standards and gain access to international markets. A significant initiative of this scheme is the alignment of the company's Quality Management System (ISO 9000 requirements) as well as the expansion of the PS Certification Mark Scheme to foreign companies.

The BPS issues the Import Commodity Clearance (ICC) to importers of products covered by mandatory Philippine National Standards after the import shipments have been evaluated by BPS as meeting the requirements of the applicable Philippine standard. BPS subjects import shipments to sampling and testing, including those that have been certified abroad as meeting the requirements of foreign or international standards.

Mandatory standards cover 75 specific products. These products include lighting fixtures, electrical wires and cables, cement, pneumatic tires, fire extinguishers, liquefied petroleum gas, sanitary wares, toys and household appliances among others.

The BPS offers its clients third-party testing of products through its BPS Testing Center to verify conformity to buyer-seller specifications and to support the PS and ICC certification mark systems and the research requirements of standards development.

The BPS accredits testing and/or calibration laboratories under its BPS Laboratory Accreditation Scheme (BPSLAS), and conformity assessment bodies (Quality System Certification Bodies) under its BPS Accreditation Scheme (BAS). An information program is being implemented to promote standardization. It provides the following services: (1) Technical Help to Exporters, (2) Standards Data Center, (3) Sales, (4) Publications and (5) Trainings/Seminars. Basic information on the BPS services are available at the BPS Homepage (www.sequel.net/~dtibpsrp; www.dti.gov.ph/bps).

The BPS signed Mutual Recognition Agreements (MRAs) with a number of countries such as Indonesia (DSN) on recognition of standardization, accreditation, certification, metrology, technical information and training; Japan (JET), on factory inspection and testing, and Australia (SAQAS), on certification.

Only the modern metric system (SI units) can be used to measure any product, commodity, material and utility. It is also the only system that can be used in any commercial transaction, contract and other legal instrument, official record and document. The Philippine government prohibits importation of non-metric measuring devices, instrumentation and apparatus without prior clearance from BPS.

To achieve its objectives in standardization and certification, BPS has established networking with local government agencies, regional and standardization bodies and specialist regional bodies. This includes the International Organization for Standardization (ISO), International Electrotechnical Commission (IEC), International Accreditation Forum (IAF), Asia Pacific Economic Cooperation (APEC), ASEAN Consultative Committee on Standards and Quality (ACCSQ) and Pacific Accreditation Cooperation (PAC), among others. It also supports the WTO Agreement on Technical Barrier and Trade, otherwise known as Standards Code. BPS involvement with the said bodies/ organization aims to strengthen the country’s technical infrastructure for its conformity assessment, testing and calibration and standards information services.

M. Free Trade Zones/Warehouses

Free Trade Zones

R.A. 7916 provides authority related to the country's four government-owned export processing zones and also to some 40 privately-owned and operated "special economic zones." Both types of zones are commonly referred to in the Philippines as "ecozones." Pursuant to R.A. 7916, an "ecozone" may contain any or all of the following: industrial estates, export-processing zones, free trade zones, and tourist/recreation centers. As defined by R.A. 7916, an export processing zone is a "specialized industrial estate located physically and/or administratively outside the customs territory, predominately oriented to export production." Enterprises in export processing zones "are allowed to import capital equipment and raw materials, free from duties and other import restrictions."

Any person, partnership, corporation, or business organization, regardless of nationality, control and/or ownership, may register as an export processing zone enterprise with PEZA. To qualify for duty and tax incentives, all production must be exported, although there are provisions under which up to 30% of output (not merely assembly or packaging of materials) may be allowed for sale on the domestic market, subject to applicable taxes and duties**.**

R.A. 7916 defines a "free trade zone" as "an isolated policed area adjacent to a port of entry where imported goods may be unloaded for immediate transshipment or stored, repacked, sorted, mixed or otherwise manipulated without being subject to import duties."

PEZA Board Resolution No. 99-264 provides for the registration as ecozones of information technology (IT) parks having a minimum area of five hectares. Upon registration with the PEZA, IT park developers, locators and utilities enterprises are eligible to receive the same package of investment incentives PEZA extends to registered economic zones. PEZA's "Guidelines for the Establishment and Operation of Information Technology (IT) Parks" define IT as a collective term for various technologies involved in processing and transmitting information, which include computing, multimedia, telecommunications, and microelectronics. To be eligible for PEZA registration, IT parks located in the National Capital Region (Metropolitan Manila) may serve only as locations for service-type activities, with no manufacturing operations.

The special economic zones located inside the former U.S. military bases at Clark and Subic are independent from PEZA, are subject to separate legislation, and operate under the management and control of the Clark Development Corporation and the Subic Bay Metropolitan Authority, respectively. They are both considered outside the customs territory of the Philippines. (See Chapter VII – Sec. E.)

Warehouses

The bonded manufacturing warehouse scheme allows the tax and duty-free importation of raw materials that are manufactured into finished products in a warehousing facility established for the purpose. The finished products should be exported within a specified period of time. The importation goes through the normal processing of the Bureau of Customs (BOC) except that taxes and duties ascertained on the raw materials are not collected. Instead, the importer posts a re-export bond equivalent to the assessed taxes and duties to allow the release of shipment from the BOC. The types of warehouses are as follows:

1. Garments/Textile Customs Bonded Manufacturing Warehouse - for a garments importer-manufacturer

2. Miscellaneous Customs Bonded Manufacturing Warehouse - for an importer-manufacturer of articles, other than garments

3. Common Bonded Manufacturing Warehouse – for importer-manufacturers of either garments or non-garments who do not have a warehousing facility of their own thus, share the warehouse with other companies.

VII. INVESTMENT CLIMATE

A.1. Openness to Foreign Investment

Progress in investment liberalization has been substantial and is proceeding despite sometimes contentious opposition by "nationalist" blocs and vested interests. In the first six months of 2000, the Philippine Congress passed legislation opening the retail trade sector and the corn and rice milling business to foreign investment and substantially easing restrictions on foreign ownership of banks. A provision in the new Electronic Commerce Act may also open the door to foreign investment in cable infrastructure. Congress is also finalizing legislation to restructure the power sector and privatize the government-owned National Power Corp. Earlier, March 1996 legislation abolished one of three negative lists originally under the Foreign Investment Act (i.e., List C, which limited foreign ownership in "adequately served" sectors).

Foreign Investment Negative List

Despite the progress, significant barriers to foreign investments remain. The two remaining "negative lists" under the Foreign Investment Act (FIA) fully or partially restrict foreign ownership in a variety of sectors of the economy:

— List A restricts foreign investment in certain sectors because of constitutional or legal constraints. For example, the practice of licensed professions is fully reserved for Philippine citizens, as are industries such as mass media, small-scale mining, private security agencies, and the manufacture of firecrackers and pyrotechnic devices. Varying foreign ownership ceilings are imposed on enterprises engaged in, among others, financing, advertising, domestic air transport, public utilities, pawnshop operations, education, employee recruitment, public works construction and repair (with the exception of Build-Operate-Transfer and foreign-funded or assisted projects), and commercial deep sea fishing. Land ownership is also constitutionally restricted to Filipino citizens or to corporations with at least 60% Filipino ownership. The exploration and development of natural resources must be undertaken under production sharing or similar arrangements with the Government. For small-scale projects, a company should be at least 60% Filipino-owned to qualify. High-cost and high-risk activities such as oil exploration and large-scale mining are open to 100% foreign ownership. In 1998, private domestic construction was deleted from List A, lifting the 40% foreign ownership ceiling previously imposed on such firms.

In March 2000, President Estrada signed Republic Act (R.A.) 8762 ("Retail Trade Liberalization Act of 2000") into law, repealing 1954 legislation which banned foreigners from engaging in retail trade. RA 8762 allows immediate 100% foreign ownership of retail companies capitalized at $7.5 million or more (“Category B” enterprises). For two years after enactment, foreign equity will be limited to 60% in retail trade businesses capitalized between $2.5 million and less than $7.5 million (“Category C”), with full foreign ownership allowed after that two-year period. A lower minimum capitalization threshold ($250,000) applies to foreigners seeking full ownership of establishments specializing in “high-end or luxury products” (“Category D” firms). Foreign equity remains banned in retail companies capitalized at less than $2.5 million (“Category A” enterprises). R.A. 8762 also repealed several laws restricting foreign companies from engaging in rice and corn trade.

— List B restricts foreign ownership (generally to 40%) for reasons of national security, defense, public health, safety and morals. This list also seeks to protect local small- and medium-sized firms by restricting foreign ownership to no more than 40% in non-export firms capitalized at less than $200,000.

Barriers in Financial Services

In May 2000, President Estrada signed R.A. 8791 (“General Banking Law of 2000”). R.A. 8791 provides, inter alia, for a seven-year window during which foreign banks may own up to 100% of one locally-incorporated commercial or thrift bank (with no obligation to divest later). Reflecting the government’s current emphasis on consolidation, a three-year freeze was imposed on new bank licenses. A “macro” limitation on foreign ownership requires that majority Filipino-owned banks should, at all times, control at least 70% of total banking system resources. May 1994 amendments to the previous Banking Act had allowed a maximum of ten additional foreign banks to establish branches in the Philippines and increasing foreign banks’ maximum ownership of domestically incorporated banks from 40% to 60%. All ten licenses were issued. Rural banking remains completely closed to foreigners.

The limit on foreign ownership of securities underwriting firms was raised from 40% to 60% in 1997. The limit for financing companies was also raised to 60% in 1998. The insurance industry (formerly part of the FIA’s deleted List C) was opened up to majority foreign ownership in 1994; however, minimum capital requirements increase with the degree of foreign ownership.

Land Ownership Restrictions

Article XII-Sec. 7 of the 1987 Philippine Constitution bans foreigners from owning land in the Philippines. Foreign companies investing in the Philippines may lease land for 50 years, renewable once for another 25 years, or a maximum 75 years. Prior to 1994, foreign firms were allowed to lease land for 25 years, renewable once for another 25 years, or a maximum 50 years.

Barriers Affecting Privatization and BOT projects

There are no separate regulations which discriminate against foreign buyers under the Government’s privatization program.

RA 6957 (as amended by RA 7718) provides the legal framework for build-operate-transfer (BOT) projects and similar private sector-led infrastructure arrangements. The BOT and similar schemes are generally open to both domestic and foreign contractors/operators. Consistent with Constitutional limitations on foreign investment in public utilities, franchises in railways/urban rail mass transit systems, electricity distribution, water distribution and telephone systems must be awarded to enterprises which are at least 60% Filipino-owned. American firms have won contracts under BOT and similar arrangements, including in the power generation and water distribution sectors. Developers of BOT and similar projects valued at over one billion pesos may register for incentives with the Board of Investment.

Barriers to Foreign Investors Seeking Incentives

Under Book I ("Investments with Incentives") of the 1987 Omnibus Investment Code, the Philippine Government, through the Board of Investments (BOI), offers incentives to exporters and to preferred activities listed in an annual Investment Priorities Plan (IPP). Screening mechanisms for companies seeking investment incentives appear to be routine and non-discriminatory, but the application process can be complicated. Incentives granted by the BOI often depend on actions by other agencies, such as the Department of Finance.

Certain provisions of the incentives law impose more stringent conditions on foreign-owned enterprises which seek to qualify for BOI-administered incentives:

— In general, foreign-owned firms producing for the domestic market must engage in a "pioneer" activity to qualify for incentives (Section A.5 – Performance Requirements/Incentives). "Non-pioneer" activities are generally opened up to foreign equity beyond 40% only if, after three years, domestic capital proves inadequate to meet the desired industry capacity.

— For firms seeking BOI incentives linked to export performance, export requirements are higher for foreign-owned companies (at least 70% of production should be for export) than for domestic companies (50% of production for export).

— Foreign-owned companies must divest to a maximum 40% foreign ownership within thirty years or such longer period as the BOI may allow. Foreign firms that export 100% of production are exempt from this divestment requirement.

A.2. Conversion and Transfer Policies

There are generally no restrictions on the full and immediate transfer of funds associated with foreign investments (i.e., repatriation and remittances), foreign debt servicing, and the payment of royalties, lease payments, and similar fees. To obtain foreign exchange from the banking system for such purposes, the Bangko Sentral only specifies certain registration and/or documentation requirements. Certain types of foreign loans require the prior approval of the Bangko Sentral, such as public sector and public sector-guaranteed debt; private loans covered by foreign exchange guarantees issued by local banks; foreign currency deposit unit loans funded or collateralized by offshore loans and deposits; and medium-to long-term loans obtained by financial institutions for relending. In January 2000, the Bangko Sentral moved to curb foreign exchange speculation and foreign exchange volatility by requiring a minimum holding period for foreign investments in peso time deposits (otherwise, the investor will not be allowed to purchase foreign exchange from banks for repatriation and remittance purposes).

There is no difficulty in obtaining foreign exchange and foreign exchange can be freely bought and sold outside the banking system. There are no mandatory foreign exchange surrender requirements imposed on export earners. The exchange rate is not fixed and varies daily in response to market forces.

A.3. Expropriation and Compensation

Philippine law guarantees investors freedom from expropriation, except for public use or in the interest of national welfare or defense. In such cases, the Government offers compensation for the affected property. Most expropriation cases involve right-of-way and acquisition for the implementation of major public sector infrastructure projects. In the event of expropriation, foreign investors have the right under Philippine law to remit sums received as compensation in the currency in which the investment was originally made and at the exchange rate at the time of remittance. The Embassy is not aware of any pending expropriation cases involving foreign investors.

There are laws that mandate divestment by foreign investors. The Omnibus Investment Code specifies a 30-year divestment period for foreign-owned companies which qualify for investment incentives (see Section A.1 above). The recently enacted Retail Trade Liberalization Act (R.A. 8762) requires foreign-owned retail establishments which do not specialize in luxury products to offer at least 30% of their equity to the public within eight years from the start of operations.

A.4. Dispute Settlement

Legal System

As in the United States, the Philippine judiciary is constitutionally independent from the executive and legislative branches. The Court of Appeals and the Philippine Supreme Court, however, are not as selective as in the United States, and tend to hear most cases that are elevated to them. Many cases are, therefore, eventually elevated to the Supreme Court. Partly as a result, the court system is overburdened and cases proceed extremely slowly.

There has been criticism that judges rarely have any background in or thorough understanding of economics, business or a competitive economic system, and that some decisions have strayed from the interpretation of law to policymaking. There have also been charges that the judicial system can be manipulated.

The Philippines is a member of the International Center for the Settlement of Investment Disputes (ICSID) and of the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Competition Law

While there are legal provisions prohibiting unfair trade practices (i.e., the Constitution and the Revised Penal Code), the Philippines lacks a comprehensive anti-trust law.

Bankruptcy Law

The Corporation Code contains legal provisions governing insolvency/bankruptcy, with jurisdiction over such matters divided between the Securities and Exchange Commission (SEC) and the courts. The law has important shortcomings, including a lack of detailed guidelines and standards for reorganization, liquidation, or debt payment suspension cases. It also does not clearly specify how interests of debtors and creditors should be balanced. As a result, legal proceedings face potential delay. The spate of debt suspension filings triggered by the Asian financial crisis exposed the inadequacy and ambiguity of insolvency/bankruptcy laws and regulations. The SEC recently made some progress in this area by issuing more detailed and systematic guidelines for dealing with debt suspension cases. The SEC is working to develop more comprehensive bankruptcy laws and procedures with foreign donor assistance.

A.5. Performance Requirements/Incentives

General Investment Incentives

Book I – "Investment with Incentives" - of the Omnibus Investment Code provides for incentives for qualified firms engaged in sectors and geographic areas included in the annual Investment Priorities Plan, administered by the Board of Investments (BOI). Firms which are eligible to receive incentives are divided into those considered "pioneer" and "non-pioneer." "Pioneer enterprises" refers to companies which manufacture goods not yet produced in the Philippines on a commercial scale; which employ a formula, process, or production scheme not yet tried in the country; which produce non-conventional fuels or manufacture equipment which utilize non-conventional energy sources; or which engage in certain agricultural, mining and forestry activities. Pioneer enterprises enjoy more liberal incentives than "non-pioneer" firms, including a longer income tax holiday privilege and 100% foreign ownership (with divestment over a thirty-year period). "Non-pioneer" companies refers to enterprises in preferred activities which do not, however, qualify for "pioneer" status.

The basic incentives offered to all BOI-registered companies include:

— Income tax holiday: Six years (for new pioneer firms) and four years (for new non-pioneer firms); three years for registered expanding firms (limited to incremental sales revenue).

— Additional deduction for wages: For the first five years from registration, deduction from taxable income equivalent to 50% of the wages of additional direct-hire workers, provided the project meets a prescribed capital equipment-to-labor ratio set by the BOI. Firms that benefit from this incentive cannot simultaneously claim an income tax holiday.

— Tax and duty exemption on imported breeding stocks and genetic materials and/or tax credits on local purchases thereof (equivalent to the taxes and duties which would have been waived if imported), for purchases made within ten years from a company's registration with the BOI;
— Importation of consigned equipment for ten years from date of BOI registration, subject to posting a re-export bond; and

— Employment of foreign nationals: Enterprises may employ foreign nationals in supervisory, technical or advisory positions within a five-year period from registration (extendible for limited periods at the discretion of the BOI) under simplified visa requirements. Government regulations require the training of Filipino understudies for the positions held by foreigners. If foreign-controlled, registered firms may indefinitely retain foreigners in the positions of president, treasurer, general manager or their equivalents.

— To encourage the regional dispersal of industries, BOI-registered enterprises which locate in less-developed areas are automatically entitled to “pioneer” incentives. In addition, such enterprises can deduct from taxable income an amount equivalent to 100% of outlays for infrastructure works. They may also deduct 100% of incremental labor expenses from taxable income for the first five years from registration (double the rate allowed for BOI-registered projects not located in less developed areas).

Legislation is pending in the Philippine Congress to expand the list of available incentives administered by the BOI, to include: a longer tax holiday for “big ticket” investments; provisions for net operating loss carry-over and the accelerated depreciation of fixed assets; more liberal tax deductions for training and for research and development expenses than under current internal revenue laws; the deferred imposition of the minimum corporate income tax (2% of gross income); and, subject to certain conditions, the provision for an “investment tax allowance” for spending on fixed assets. The pending legislation also seeks to restore BOI incentives that expired at the end of 1997, including tax and duty exemptions for capital equipment imports and tax credits for purchases of locally-manufactured equipment.

Incentives for Exporters

In addition to the general incentives available to BOI-registered companies, a number of incentives provided under the Omnibus Investment Code apply specifically to registered export-oriented firms. These include:

— Tax credit for taxes and duties paid on imported raw materials used in the processing of export products;

— Exemption from taxes and duties on imported spare parts (applies to firms exporting at least 70%);

— Access to customs bonded manufacturing warehouses.

Firms which earn at least 50% of their revenues from exports may register for incentives under the 1994 “Export Development Act” (EDA). Exporters registered with the EDA may also be eligible for BOI incentives, provided the exporters are registered according to BOI rules and regulations and the exporter does not take advantage of the same or similar incentives twice. Incentives under the EDA include a tax credit, which ranges from 2.5% to 10% of annual incremental export revenue.

Performance Requirements

Performance requirements, usually based on an applicant’s approved project proposal, are established for investors granted incentives, and vary from project to project. In general, the Board of Investments (BOI) and the investor agree on yearly production schedules and, for export-oriented firms, export performance targets. The BOI requires registered projects to maintain at least 25% of total project cost in the form of equity.

The BOI generally sets a 20% local value-added benchmark when screening applications. The BOI is flexible in enforcing local value-added ratios registrants commit to in their approved project proposal, as long as actual performance does not deviate significantly from other participants in the same activity.

The BOI specifies industry-wide local content requirements only for participants under the Government's Motor Vehicle Development Program. Current guidelines also specify that participants in this program generate, via exports, a certain ratio of the foreign exchange needed for import requirements. In October 1999, the Philippines requested a five-year extension of the January 1, 2000 deadline to eliminate these measures under the WTO Agreement on Trade-Related Investment Measures (TRIMS).

The BOI has been flexible in enforcing individual export targets, provided that exports as a percentage of total production do not fall below the minimum requirement (50% for local firms and 70% for foreign firms) needed to qualify for BOI incentives. BOI-registered foreign-controlled firms which qualify for incentives are subject to a 30-year divestment period, at the end of which at least 60% of equity must be Filipino-controlled.

Incentives for Regional Headquarters/Warehouses

Book III of the Omnibus Investment Code provides incentives for the establishment by multinational enterprises of regional or area headquarters (RHQs) in the Philippines. Incentives to the regional or area headquarters include exemption from income tax and from local licenses, fees and dues (except real property taxes on land improvement and equipment); as well as tax and duty-free importation of training and conference materials. Privileges extended to foreign executives include tax and duty-free importation of household effects, multiple entry visas for the executive and his/her family, as well as exemption from various types of government-required clearances and from fees under immigration and alien registration laws.

R.A. 8756, which took effect in May 2000, amended Book III of the Omnibus Investment Code and provides for incentives for the establishment of regional operating headquarters (ROHQs) — which, unlike RHQs, may derive income from specified services. R.A. 8756 requires that eligible multinationals establishing ROHQs invest at least $200,000 yearly to cover operations. ROHQs enjoy the same incentives as RHQs but, being income-generating, are subject to a 10% value-added tax and a preferential 10% corporate income tax.

Multinationals establishing regional warehouses for the supply of spare parts, manufactured components or raw materials for their foreign markets also enjoy fiscal incentives on imports that are re-exported. Re-exported imports are exempt from customs duties, internal revenue taxes and local taxes. Imported merchandise intended for the Philippine market is subject to applicable duties and taxes.

Local Sourcing Requirements

Certain industries are subject to specific laws which require local sourcing.

— Executive Order (E.O.) No. 776 requires that pharmaceutical firms purchase semi-synthetic antibiotics from a specific local company, unless they can demonstrate that the landed cost of imported semi-synthetic antibiotics is at least 20% less than that produced by the local firm.

— E.O. 259 of 1987 requires the soap and detergent industry to use a minimum of 60% of raw materials which do not endanger the environment, and prohibits imports of laundry soap and detergents containing less than 60% of such raw materials. The law is intended to require soap and detergent manufacturers to us coconut-based surface active agents of Philippine origin. While the provision was notified to the WTO, it has not been repealed. The Philippine Department of Justice, in Opinion No. 88 of 1999, stated that E.O. 259 conflicts with the country's obligations under the WTO Agreement on Trade-related Investment Measures.

— Letter of Instruction (LOI) 1387, issued in 1984, requires mining firms to offer their copper concentrates to the then government-controlled Philippine Associated Smelting and Refining Corp. (PASAR). PASAR was privatized in 1998 and the policy is under review.

— The Retail Trade Act of 2000 requires local sourcing for the first ten years after the law's effective date. During that period, at least 30% of the cost of inventory of foreign retail firms not dealing exclusively in luxury goods, and 10% of the inventory of firms selling luxury products, should consist of products assembled in the Philippines.

Government-Financed Research and Development Programs

Regulations specify that government agencies generally must engage Philippine firms (defined as one which is at least 60% owned by Filipinos) for locally-funded consulting requirements, including research and development projects. Foreign companies may, however, participate in locally-funded government research and development programs if the skill required is not available locally. Projects funded by foreign aid donors are not subject to these limitations.

A.6. Right to Private Ownership and Establishment.

The Government respects the private sector's right to freely acquire or dispose of its properties or business interests, although acquisitions, mergers and other combinations of business interests involving foreign equity must comply with foreign nationality caps specified in the Constitution and other laws.

There are few sectors closed to private enterprise, generally for security, health and public morals. The government controls and operates the country's casinos through the Philippine Amusement and Gaming Corporation (Pagcor) and runs lotto/sweepstake operations through the Philippine Charity Sweepstakes Office (PCSO).

Private and government-owned firms generally compete equally, although there are exceptions. For example, government-owned banks corner the bulk of public sector deposits. The National Food Authority, a government agency, is the sole importer of ordinary rice. In some cases, government procurement guidelines -- specifically for rice, medicines and infrastructure projects -- favor Philippine over foreign-controlled firms. In the insurance sector, current regulations specify that only the state-owned Government Service Insurance System (GSIS) may provide insurance coverage for government-funded and BOT projects. As a general rule, locally-funded government consulting requirements should be serviced by Philippine-controlled firms.

A.7. Protection of Property Rights.

General Property Rights

Although the Philippines has established procedures and systems for registering claims on property (including intellectual property and chattel/mortgages), delays and uncertainty associated with a cumbersome court system continue to be of concern to investors.

Protecting Intellectual Property Rights

In order to protect their products from intellectual property rights (IPR) infringement, U.S. manufacturers and suppliers should register their patents, trademarks, and brand names with the Intellectual Property Office (IPO), located at the IPO Building, 351 Sen. Gil J. Puyat Avenue, Makati City, fax: (632) 890-4936, email: ipo@dti.gov.ph, website: www.dti.gov.ph/ipo. Manufacturers and importers are also encouraged to register patents, trademarks, brand names, and copyrighted works with the Bureau of Customs, in order to facilitate enforcement of rights. A list of Philippine lawyers and law firms specializing in intellectual property law is available from the U.S. Embassy Commercial Service office (manila.office.box@mail.doc. gov).

Under the Intellectual Property Code of the Philippines, the IPO has jurisdiction to resolve certain disputes concerning alleged infringement and licensing. However, this right to pursue cases against IPR violators through the IPO's administrative complaint mechanisms, while provided for in law, is currently unavailable to rights owners due to organizational delays at the IPO. In addition to the IPO, agencies with IPR enforcement responsibilities include the Department of Justice; National Bureau of Investigation; Videogram Regulatory Board (for piracy involving cinematographic works), the Bureau of Customs, and the National Telecommunications Commission (for piracy involving satellite signals and cable programming). The Presidential Interagency Committee on Intellectual Property Rights (PIAC-IPR) is composed of representatives from these and other agencies, and is tasked with coordinating enforcement efforts. The private sector can file requests for IPR enforcement actions with the PIAC-IPR.

Status of IPR Enforcement

Significant problems remain in ensuring the consistent and effective protection of intellectual property rights. A new intellectual property code (R.A. 8293), which took effect January 1, 1998, improves the legal framework for IPR protection in the Philippines. It provides enhanced copyright and trademark protection; creates a new Intellectual Property Office (IPO), with original jurisdiction to resolve certain disputes concerning alleged infringement and licensing; increases penalties for infringement and counterfeiting; and relaxes provisions requiring the registration of licensing agreements.

Deficiencies in R.A. 8293 remain a source of concern. These include, inter alia, the lack of authority for courts to order the seizure of pirated material as a provisional measure without notice to the suspected infringer (as required by Article 50 of the WTO Agreement on Trade-Related Intellectual Property Rights); ambiguous provisions on the rights of copyright owners over broadcast, rebroadcast, cable retransmission, or satellite retransmission of their works; and burdensome restrictions affecting contracts to license software and other technology. Some provisions of R.A. 8293, while nominally in force, are currently unavailable to rights holders, because of organizational delays at the IPO. These include the right to pursue cases against IPR violators using the IPO's administrative complaint provisions. Legislation is pending in the Philippine Congress to provide IPR protection for plant varieties and layout-designs of integrated circuits, in line with WTO obligations that became mandatory for the Philippines on January 1, 2000.

The following paragraphs all pertain to the Philippines' new Intellectual Property Code, which took effect January 1, 1998.

— Patents (Part II): R.A. 8293 moves the Philippines to a first-to-file system, increases the term of patents from 17 to 20 years from date of filing, and provides for the patentability of micro-organisms and non-biological and microbiological processes. The holder of a patent is guaranteed an additional right of exclusive importation of his invention. A compulsory license may be granted in some circumstances, including if the patented invention is not being worked in the Philippines without satisfactory reason, although importation of the patented article constitutes working or using the patent. Legislation is pending to provide IPR protection to plant varieties and layout-designs of integrated circuits, as required by the WTO TRIPS Agreement.
Industrial Designs (Sec. 118): The registration of a qualifying industrial design shall be for a period of five years from the filing date of the application. The registration of an industrial design may be renewed for not more than two consecutive periods of five years each.

— Trademarks, Service Marks and Trade Names (Part III): R.A. 8293 no longer requires prior use of trademarks in the Philippines as a requirement for filing a trademark application. The law also eliminated the requirement that well-known marks be in actual use in Philippine commerce or registered with the Bureau of Patents, Trademarks, and Technology Transfer. A Certificate of Registration (COR) shall remain in force for ten years. A COR may be renewed for periods of ten years at its expiration upon request and payment of a prescribed fee.

— Copyright (Part IV): R.A. 8293 expands IPR protection by clarifying protection of computer software as a literary work, establishing exclusive rental rights in several categories of works and sound recordings, and providing terms of protection for sound recordings, audiovisual works, and newspapers and periodicals that are compatible with the WTO TRIPS Agreement. However, as noted above, ambiguities and gaps remain, including the lack of authority for courts to order the seizure of pirated material as a provisional measure without notice to the suspected infringer.

— Performers Rights (Sec. 204.2): "The qualifying rights of a performer ... shall be maintained and exercised fifty years after his death." Ambiguities exist in R.A. 8293 concerning exclusive rights for copyright owners over broadcast and retransmission.

— Trade Secrets: While there are no codified rules on the protection of trade secrets, Philippine officials assert that existing civil and criminal statutes protect trade secrets and confidential information.

According to aggregated industry statistics, the total annual trade loss resulting from copyright piracy in the Philippines in 1999 was estimated at about US$115 million. U.S. distributors report high levels of pirated optical discs of cinematographic, musical works, and computer games, and widespread unauthorized transmissions of motion pictures and other programming on cable television systems. The Business Software Alliance reports that 77% of all business application software is unlicensed and/or pirated. A 1995 Presidential Memorandum Circular requires that government agencies use only licensed software, but compliance figures are based on self-assessments and compliance is not subject to outside audits.

Serious problems continue to hamper the effective operation of agencies tasked with IPR enforcement. Resource constraints, already a problem, have been exacerbated by general government budgetary shortfalls. In general, government enforcement agencies are most responsive to those copyright owners who actively work with them to target infringement. Enforcement agencies generally will not proactively target infringement unless the copyright owner brings it to their attention and works with them on surveillance and enforcement actions. Joint efforts between the private sector and the NBI and VRB have resulted in some successful enforcement actions. The designation of 48 courts to handle IPR violations has done little to streamline judicial proceedings, as these courts have not received additional resources and continue to handle a heavy non-IPR workload. Delays in the issuance of warrants are a problem and arrests are infrequent. In addition, IPR cases are not considered “major crimes,” and take a lower precedence in court proceedings. Because of the prospect that court action will be lengthy, many cases are settled out of court.

The Philippines is a party to the Paris Convention for the Protection of Industrial Property and the Patent Cooperation Treaty; it is also a member of the World Intellectual Property Organization, although it has not signed the WIPO Treaties on Copyright and Phonograms/Performance Rights. The provisions of the WTO Agreement on Trade-related Intellectual Property Rights (TRIPS) became obligatory for the Philippines on January 1, 2000.

A.8. Transparency of the Regulatory System

Regulatory agencies in the Philippines are generally not statutorily independent, but are attached to cabinet departments or the Office of the President. As part of the process of developing or changing regulations, the law requires that agencies proceed through a public consultation process, often involving public hearings. In most cases, this ensures some transparency in the process of developing regulations. New regulations are supposed to be published in national newspapers of general circulation, often before taking effect. Enforcement of regulations, once issued, is often weak and sometimes inconsistent.

Many U.S. investors find business registration, customs, immigration and visa procedures in the Philippines burdensome and a source of frustration. Some agencies (such as the Securities and Exchange Commission, Board of Investment, Department of Foreign Affairs) have established “express lanes” or “one-stop shops” to reduce bureaucratic delays, with varying degrees of success.

Both foreign and domestic investors have expressed concern about the propensity of courts to issue “temporary restraining orders” (TROs) and to stray beyond matters of legal interpretation into policymaking functions.

A.9. Efficiency of Capital Markets and Portfolio Investment

Capital Markets

The Philippines is open to foreign portfolio capital. Foreigners may purchase publicly or privately issued domestic securities, invest in money market instruments, and open peso-denominated savings and time deposits. Like direct equity investments, however, portfolio investments in publicly listed firms may be constrained by applicable foreign ownership ceilings stipulated under the Foreign Investment Act (FIA) and other laws (see Section A.1, above).

Some firms classify their publicly listed shares as “A” (exclusively for Filipinos) and/or “B” (for foreigners and Filipinos). Foreigners may invest in “A” shares, but only through Filipino-controlled trusts. While the practice of classifying shares was common until the early 1990s, most newly-listed companies no longer classify shares into “A” and/or “B” because the Foreign Investment Act has since lifted the 40% general ceiling previously imposed on foreign investments. However, listed firms engaged in activities where foreign investment caps still apply (i.e., banking, utilities, real estate, exploration of natural resources, etc.) find the classification convenient for compliance purposes.

The equities market is thin (only some 225 listed firms), concentrated and, therefore, prone to volatility. In 1999, the ten most actively traded companies accounted for 85.4% of volume and 45.6% of value turnover. The top ten listed firms accounted for more than 65% of market capitalization as of April 2000. Hostile takeovers are not common because most company shares are not publicly listed and controlling interest tends to remain with a small group of parties. Cross-ownership and interlocking directorates among listed companies also lessen the likelihood of hostile takeovers.

The Securities and Exchange Commission stripped the Philippine Stock Exchange (PSE) of its self-regulatory organization (SRO) status in March 2000 in the wake of a stock market scandal involving a relatively obscure, publicly-listed gaming firm. Some of the envisioned reforms in pending legislation to update the “Revised Securites Act of 1982” reflect weaknesses exposed by the scandal. They include opening the PSE (currently owned by member brokers) to larger non-broker membership; providing for the independence of the SEC from any governmental agency except the courts; stiffening penalties for securities violations; and segregating broker-dealer functions.

Credit Policies

Credit is generally granted on market terms. Existing laws require financial institutions to set aside stipulated percentages of loans for agricultural/agrarian purposes, and for small enterprise borrowers. Since January 1997, liberalized regulations have allowed foreign firms to obtain peso credits without having to comply with stipulated debt-to-equity ratios. While the securities market is growing, it remains small and relatively underdeveloped, not yet able to offer investors a wide range of choices. Except for a number of major firms/conglomerates, long-term bonds and commercial papers are not yet major sources of long-term capital.

Banking System

The banking system is dominated by 47 commercial banks which account for over 90% of total banking system resources. As of end-March 2000, the five largest commercial banks had estimated total assets of pesos 1,115 billion (equivalent to about $27 billion), representing 43% of total commercial banking system resources. The banking system remains generally sound and well-capitalized despite the higher level of bad debts triggered by the Asian financial crisis. Since the Asian crisis, the Bangko Sentral (Central Bank) has worked to strengthen banks' capital base and improve risk management to build a more resilient and regionally competitive banking sector. Phased increases in minimum capitalization requirements and regulatory incentives for mergers have already prompted several banks to seek partners.

The measured ratio of the banking system's non-performing loans (NPLs) stood at 14.1% of outstanding loans as of March 2000, compared with 12.7% in December 1999 and 4% before the Asian crisis. However, the banking system's capital adequacy ratio remains relatively healthy (17.8%) partly because of the Bangko Sentral's capital build-up requirements. Banks also continue to add to loan loss reserves. The recently enacted General Banking Law of 2000 (R.A. 8791) paves the way for the Philippine banking system to adopt internationally accepted, risk-based capital adequacy standards. Other important provisions of the new law are geared towards strengthening transparency, bank supervision, and bank management.

Accounting Standards

Generally accepted accounting principles (GAAP) in the United States significantly influenced the development of the Philippines' GAAP. The primary source of accounting standards in the country are embodied in the Statements of Financial Accounting Standards (SFAS) issued by the Accounting Standards Council (ASC), as approved and endorsed by the Professional Regulation Commission (PRC) and Board of Accountancy. In cases where the ASC may have not yet published an opinion, pronouncements issued by the Philippine Institute of Public Accountants (PICPA) and international standard setting bodies (such as the International Accounting Standards Committee, the U.S. Financial Accounting Standards Board, and the American Institute of Certified Public Accountants) heavily determine generally accepted accounting principles in the Philippines. A number of the larger local accountancy companies are affiliated with international accounting firms (among them, Price Waterhouse, Ernst & Young, Arthur Anderson, and Deloitte & Touche).

A.10. Political Violence

Politically motivated attacks against American businessmen are rare. Political demonstrations at U.S. government facilities do occur with some regularity but are mainly led by marginal or "left-leaning" groups and are generally peaceful.

Kidnapping for ransom is a serious problem in the Philippines, particularly in the remote southern island provinces of Basilan and Sulu and in parts of Mindanao. Richer Filipinos, including many of Chinese descent, are the usual targets although some foreigners have also been kidnapped in the past. Communist insurgents and southern separatists occasionally kidnap government officials, military personnel or prominent businesspersons to make a political statement as well as for ransom. There have been no reported cases of Americans kidnapped in over five years, although other foreigners have been victims. On April 23, 2000 nineteen foreigners and two Filipinos were kidnapped at a Malaysian resort and brought to the Philippines.

The overall peace and order situation nationwide is stable but separatist rebels in central and western Mindanao and communist insurgents in remote areas throughout the country still pose a threat.

Peace talks between the government and the main communist factions were broken off in 1999 and have yet to resume.

The government opened formal peace talks in October 1999 with the last major-armed separatist group in Mindanao, the Moro Islamic Liberation Front (MILF), but progress is slow and positions remain far apart. An upsurge in fighting between government forces and MILF rebels has marked the first half of 2000.

The Philippines faces no serious external threat, although overlapping claims to disputed islands in the South China Sea cause friction. The United States and the Philippines are treaty allies under the Mutual Defense Treaty, which is the basis for our continuing security cooperation. The "Visiting Forces Agreement," which went into effect on June 1, 1999, has allowed the resumption of normal military cooperation, including large-scale exercises and ship visits.

A.11. Corruption

The Philippine Revised Penal Code, Anti-Graft and Corrupt Practices Act, and Code of Ethical Conduct for public officials are in place and are intended to combat suspected corruption and related anti-competitive business practices. The Office of the Ombudsman investigates cases of alleged graft and corruption involving public officials. The "Sandiganbayan" (anti-graft court) prosecutes and adjudicates cases filed by the Ombudsman. There is also a Presidential Commission Against Graft and Corruption. Soliciting/accepting and offering/giving a bribe are criminal offenses, punishable with imprisonment (6-15 years), a fine and/or disqualification from public office or business dealings with the government. As with many other laws, enforcement of this provision has been inconsistent. A broad new initiative to strengthen public and private governance, including anti-corruption efforts, was launched in cooperation with bilateral and multilateral aid donors (in particular the World Bank) in May 2000. It is too early to say whether this new effort will bear fruit.

In spite of these government mechanisms directed at combating suspected corruption, evidence suggests that graft remains a serious problem at many levels in all branches of the Philippine Government. In its 1999 survey of public perceptions of corruption in 99 countries, the non-governmental organization Transparency International gave the Philippines a score of 3.6 (10 being the perfect corruption-free score), ranking the Philippines at twentieth place in terms of the perceived level of corruption. The U.S. Embassy and the American Chamber of Commerce in Manila have in the past successfully represented U.S. business interests in cases where U.S. firms seemed disadvantaged because of reportedly questionable public bidding procedures. The Philippines is not a signatory of the OECD Convention on Combatting Bribery.

B. Bilateral Investment Agreements

As of March 2000, the Philippines had signed bilateral investment agreements with Argentina, Australia, Bangladesh, Belgium, Canada, Chile, China, the Czech Republic, Denmark, Finland, France, Germany, India, Iran, Italy, Republic of Korea, Kuwait, Myanmar, Netherlands, Pakistan, Romania, Russian Federation, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, and Vietnam. The general provisions of the bilateral investment agreements include the promotion and reciprocal protection of investments; non-discrimination; the free transfer of capital, payments and earnings; freedom from expropriation and nationalization; and recognition of the principle of subrogation.

Taxation: The Philippines has a tax treaty with the United States for the purpose of avoiding double taxation, providing procedures for resolving interpretative disputes, and enforcing taxes of both countries. The treaty also seeks to encourage bilateral trade and investments by allowing the exchange of capital, goods and services under clearly defined tax rules and, in some cases, preferential tax rates. Under the Philippine-U.S. tax treaty, the maximum tax rate on interest income that can be imposed on American investors by the Philippine government is 15%, versus a 20% withholding tax rate normally applied. According to U.S. banks, obtaining a refund of the 5% excess tax is often difficult. In recent years, some treaty disputes also arose between U.S.-owned companies and the Philippine government's Bureau of Internal Revenue (BIR), mainly on the interpretation of permanent establishments, business profits, and the final withholding tax on dividends and royalties paid to U.S. residents. Disputes on the applicable tax rate on royalties paid to U.S. firms by a Philippine company have been resolved in favor of U.S. taxpayers.

Intercompany transfer pricing: The BIR Commissioner has authority to allocate income or deductions between/among related organizations or businesses, whether or not organized in the Philippines, if such allocation is necessary to prevent tax evasion. In mid-1998, the BIR issued audit guidelines for the examination of related groups of companies and created audit teams to focus on large taxpayers and their intercompany transactions. The BIR also issued guidelines on the determination of an arm's length price, where different methods under OECD rules on transfer pricing may be used as reference. Tax practitioners note that the BIR rules — which mainly restate the transfer pricing principle to govern related party transactions — lack clarity and detail. Issues on interpretation and application could therefore arise from the lack of detailed guidelines and local precedents. U.S. jurisprudence is, however, persuasive in the Philippine tax scene.

The BIR is considering issuing regulations which prescribe the basis and procedure for entering into an advance pricing arrangement (APA) with BIR and the U.S. Internal Revenue Service (IRS) to address transfer pricing and permanent establishment issues. An APA is an agreement on the acceptability of a transfer price for a related party transaction — binding among the BIR, IRS and the taxpayer, and is valid for a stipulated time period, but renewable.

C. OPIC and Other Investment Insurance Programs

The Philippines currently does not provide guarantees against losses due to inconvertibility of currency or damage caused by war. An updated agreement between the Overseas Private Investment Corporation (OPIC) and the Philippine Board of Investments entered into force on February 15, 2000. The Philippines is a member of the Multilateral Investment Guaranty Agency (MIGA).

The estimated annual dollar equivalent of expenditures in Philippine pesos by U.S. government agencies is about $40 million. Local currency purchases are made as needed by soliciting competing quotes from commercial banks. The exchange rate is not fixed and varies daily in relation to market forces.

D. Labor

Labor Availability: American managers are likely to find in the Philippines a highly motivated work force that is easy to train. Plant managers are generally pleased with their initial experience in recruiting and training Filipino workers. They often point to the following characteristics of the work force:

(1) Easy to train - literacy is relatively high and employers give good marks to the quality of Filipino secondary education, including schools in areas distant from Manila. Most young Filipino workers can read and speak English to a degree that permits managers to use American training materials and trainers from the U.S. in the first phases of new production.

(2) Productive - employers find that Filipino workers usually respond well to productivity goals and wage incentives for increasing their output.

Labor Relations: Many employers indicate they have a productive working relationship with local trade union leaders with the exception of radical unions engaged in political activism. In general, the mainstream trade union movement recognizes that its members' welfare is tied to the productivity of the economy and, more specifically, to the competitiveness of the firm where they work. The effects of globalization have pressured unions to factor new concerns into their bargaining and organizing approach. The example of frequent plant closures in industries affected by trade and increased imports makes many unions more willing to consider productivity issues as part of an employment package. In 1999 there were fewer than 60 strikes nationwide, continuing the steady decline in work stoppages since the late 1980s.

The trade union movement is divided and rarely speaks with a single voice. Much depends on the personal leadership style of local union leaders. There are seven national labor centers and some 160 labor federations that claim more than 3 million organized workers. There are also numerous independent unions unaffiliated with any federations. However, only about 540,000 workers are covered by collective bargaining agreements.

Special Economic Zones: Special Economic Zones (SEZs) (see Section E) play a central role in attracting new investors to the Philippines. SEZs normally include their own "labor centers" for providing investors with assistance in recruiting staff, coordinating with the Department of Labor and Employment (DOLE) and social security agencies, and mediating labor disputes. The SEZs have helped produce the fastest growth in new jobs as both Filipino and foreign firms seek the tax and other advantages of operating in areas devoted to fostering export industries.

Many trade unions charge local SEZ administrators with fostering a "non-union" environment, noting that there are almost no unions in the great majority of the SEZ areas. A combination of local political pressures and the restricted access to the SEZ's appears to have hampered trade unions from making organizing inroads.

Wages: Multinational managers generally report that their total compensation package is comparatively low and a very good value for their mid-level management and skilled staff in the Philippines. They report that comparative wage costs are somewhat higher for semi-skilled and line workers.

Minimum wages are determined on a regional basis through the determination of Wage and Productivity Boards that meet periodically in each of the Philippine government's 16 administrative regions. In recent years, the regional boards have adjusted the minimum wage rate about once annually.

The National Capital regional board normally sets the national trend. In October 1999, it made the most recent adjustment to the daily minimum, raising it to 223.50 pesos (about $5.25 at current exchange rates) for firms with ten or more workers. Most of the other regions soon followed suit, adjusting wages to a level 31 to 78 pesos less than Manila's. Various exceptions are granted by the wage boards, including separate rates depending on the type of industry. For example, in Metro Manila, the daily minimum wage for agricultural workers, or those for firms with fewer than ten employees, is 198 pesos (about S$ 4.65).

E. Foreign Trade Zones/Free Ports

Republic Act 7916, "The Special Economic Zone Act of 1995," grants preferential tax treatment to enterprises located in "special economic zones" (also referred to as "ecozones"). Pursuant to R.A. 7916, "ecozones" may contain any or all of the following: export processing zones, free trade zones, and certain industrial estates. The Philippine Economic Zone Authority (PEZA) manages four government-owned export-processing zones and administers incentives available to firms located in some 40 privately-owned and operated zones. Any person, partnership, corporation, or business organization, regardless of nationality, control and/or ownership, may register as an export processing zone enterprise with PEZA.

Enterprises located in ecozones designated "export processing zones" are considered to be outside the customs territory of the Philippines and are allowed to import capital equipment and raw material free from customs duties, taxes, and other import restrictions. Goods imported into "free trade zones" may be stored, repacked, mixed, or otherwise manipulated without being subject to import duties. Goods imported into both export processing zones and free trade zones are exempt from the government's Selective Preshipment Advance Classification Scheme (SPACS). An ecozone may simultaneously be registered as both an export processing zone and a free trade zone, although the registered enterprise cannot receive incentives under both categories. A developer may register his project as an ecozone, and at the same time locate inside that ecozone as an enterprise, but under separate names.

Incentives for firms in export processing and free trade zones include: exemption from corporate income tax (four years for non-pioneer and six years for pioneer, renewable up to an additional two years); after the expiration of the income tax exemption, a special five percent tax rate in lieu of national and local income taxes; tax credits for import substitution; exemptions from wharfage dues, export taxes and other fees; a tax credit on domestic capital equipment; tax and duty-free importation of breeding stocks and genetic materials; tax credits on domestic breeding stocks and genetic materials; additional deductions for labor costs and training expenses; domestic sales allowance equivalent to 30% of total export sales; permanent resident status for foreign investors and immediate family members; permission to hire foreign nationals; and simplified import procedures.

Amendments to the Special Economic Zone Act (under R.A. 8748), which took effect on June 20,1999, include: (1) imposition of a real property tax on land owned by ecozone developers; (2) increasing from one to two percentage points the share of income tax to be passed directly to local government units; and (3) reorganizing and expanding the membership of the PEZA Board from nine to thirteen. R.A. 8748 does not apply to economic zones and areas created under the Bases Conversion and Development Authority (BCDA) and other special laws (described in the following paragraphs).

PEZA Board Resolution No. 99-264 provides for the registration as ecozones of information technology (IT) parks having a minimum area of five hectares. Upon registration with the PEZA, IT park developers, locators and utilities enterprises are eligible to receive the same package of investment incentives PEZA extends to registered economic zones. PEZA's "Guidelines for the Establishment and Operation of Information Technology (IT) Parks" define IT as a collective term for various technologies involved in processing and transmitting information, which include computing, multimedia, telecommunications, and microelectronics. To be eligible for PEZA registration, IT parks located in the National Capital Region (Metropolitan Manila) may serve only as locations for service-type activities, with no manufacturing operations.

Two other privately-owned ecozones are independent of PEZA oversight: the Zamboanga City Economic Zone and Freeport, located in Zamboanga City, Mindanao; and the Cagayan Special Economic Zone and Freeport, covering the city of Santa Ana, Cagayan Province, and adjacent islands. The incentives available to investors in these zones are provided for by R.A. 7903 and 7922, respectively, and are very similar to those provided by PEZA under R.A. 7916.

In addition, the special economic zones located inside the two principal former U.S. military bases in the Philippines are also independent of PEZA and subject to separate legislation under the Bases Conversion Development Authority (created under R.A. 7227). These are the Subic Bay Freeport Zone (SBFZ) in Subic Bay, Zambales, and the Clark Special Economic Zone (CSEZ) in Angeles City, Pampanga. Firms operating inside the SBFZ and CSEZ are exempt from import duties and national taxes on imports of capital equipment and raw materials needed for their operations within the zone. Both the SBFZ and the CSEZ are managed as separate customs territories. Products imported into the zones are exempt from the government's Selective Preshipment Advance Classification Scheme, with the exception of products imported for sale at duty-free retail establishments within the zones. Firms operating in the zones are required to pay only a 5 percent tax based on their gross income. Both zones boast of their own international airports, power plants, telecom networks, housing complexes and tourist facilities.

F. Capital Outflow Policy

There are no restrictions on the repatriation of capital and remittance of profits for registered foreign investments. Outward capital investments from the Philippines do not require prior Bangko Sentral approval in each of the following cases: a) the outward investments are funded by withdrawals from foreign currency deposit accounts; b) the funds to be invested are not purchased from the banking system; or c) if sourced from the banking system, the funds to be invested are less than $6 million per investor per year.

G. Foreign Direct Investment Statistics

The Securities and Exchange Commission (SEC), Board of Investment (BOI), National Economic and Development Authority (NEDA), and the Bangko Sentral ng Pilipinas each generate their respective direct investment statistics. Bangko Sentral data (which records actual rather than approved investments, and which is readily available in US$ terms and broken down by investor country and by industry) is widely used as a convenient and reasonably reliable indicator of foreign investment stock and foreign investment flows. The data reflects foreign investment remittances registered with the Bangko Sentral or a designated custodian bank. Registration is required to enable foreign exchange sourcing from the domestic banking system for profit remittance and/or capital repatriation purposes. The Bangko Sentral does not have readily available data on foreign direct investment withdrawals broken down by country or industry. The figures below therefore reflect gross — rather than net — foreign direct investment levels. Tables 1 and 2 (foreign direct investment by investor country and by industry) refer to cumulative investments registered with the Bangko Sentral from 1973 to the dates indicated. Tables 3 and 4 provide annual inflows registered with the Bangko Sentral.

Table 5 provides a list of major foreign investors in the Philippines as of 1998, using the latest available published information from the Philippine SEC.

Table 1
Cumulative Foreign Equity Investments
By Investor Country a/

	Levels as of (In USD Millions)			Distribution as of (In Percent)		
	1997	1998	1999	1997	1998	1999
Total	8,420	9,305	11,199	100.0	100.0	100.0
Of Which: b/						
United States	2,479	2,722	2,806	29.4	29.3	25.1
Japan	2,007	2,157	2,460	23.8	23.2	22.0
Netherlands c/	845	931	1,315	10.0	10.0	11.7
Switzerland	125	129	899	1.4	1.4	8.0
Hong Kong	706	727	747	8.4	7.8	6.7
United Kingdom	453	465	474	5.4	5.0	4.6
Brit. V. Islands	330	383	386	3.9	4.1	3.4
Singapore	270	322	358	3.2	3.5	3.2
Germany	173	215	239	2.1	2.3	0.2
Taiwan	117	168	184	1.4	1.8	1.6
South Korea	130	142	149	1.5	1.5	1.3
Australia	112	115	139	1.3	1.2	1.2
Total FDI Stock						
As pct. of GDP	10.2	14.3	14.6			

a/ Sum of annual foreign investments from 1973 up to the year indicated.
b/ Countries listed above accounted for the largest shares of foreign direct investment stock as of end-1999.
c/ Over US$500 million from a Dutch subsidiary of Saudi Aramco for the purchase of 40% of the Philippine Government’s share in an oil firm (Petron) in 1994.

Source: Bangko Sentral ng Pilipinas

Table 2
Cumulative Foreign Equity Investments
By Industry a/

	Levels as of 1997	1998	1999	Distribution as of 1997	1998	1999
	(In USD Millions)			(In Percent)		
Total	8,420	9,305	11,199	100.0	100.0	100.0
Banks/Finan'l	1,378	1,571	1,829	16.4	16.9	16.3
Manufacturing	3,999	4,245	5,294	47.5	45.6	47.2
Chemicals	685	728	745	8.1	7.8	6.7
Food Prod.	417	448	1,301	5.0	4.8	11.6
Petroleum and Coal b/	829	843	843	9.8	9.1	7.5
Basic Metal Prod.	304	339	368	3.6	3.6	3.3
Other Metal c/	433	487	568	5.1	5.2	5.1
Transport Eqpt.	309	316	337	3.7	3.4	3.0
Mining	986	1,147	1,175	11.7	12.3	10.5
Petrol/Gas	804	822	831	9.5	8.8	7.4
Geothermal	1	142	160	0.0	1.3	1.4
Commerce	488	650	816	5.8	7.0	7.3
Wholesale Trade	217	343	436	2.6	3.7	3.9
Real Estate	221	259	333	2.6	2.8	3.0
Services	408	420	437	4.8	4.5	3.9
Public Utilities	784	852	1,191	9.3	9.2	10.6
Communications	459	463	676	5.5	5.0	6.0
Electricity	63	127	156	0.7	1.4	1.4
Agriculture	56	56	57	0.7	0.6	0.5
Construction	321	327	329	3.8	3.5	2.9
Total FDI Stock As pct. of GDP	10.2	14.3	14.6			

a/ Sum of annual foreign investments from 1973 to the year indicated.
b/ Over US$500 million from a Dutch subsidiary of Saudi Aramco for the purchase of 40% of the Philippine Government's share in an oil firm (Petron) in 1994.
c/ Includes machinery and appliances.

Source: Bangko Sentral ng Pilipinas

Table 3

Annual Foreign Equity Investment Flows
By Investor Country a/
(In USD Millions)

	1995	1996	1997	1998	1999
Total	815.0	1,281.0	1,053.4	884.7	1,894.0
Of Which: b/					
Japan	244.5	471.5	331.0	150.4	303.3
United States	55.8	292.7	116.7	243.4	84.4
Switzerland	0.4	7.5	9.7	4.0	769.8
Netherlands	529.8	52.9	41.1	85.2	384.6
Hong Kong	235.6	76.3	59.8	21.3	19.9
Brit. V. Islands	9.8	105.8	76.5	53.8	2.5
Singapore	75.5	19.6	67.4	51.3	36.3
Germany	16.2	27.7	73.2	42.2	23.8
United Kingdom	52.7	62.9	17.6	12.5	9.0
Taiwan	7.4	47.3	19.7	50.9	15.8
Malaysia	27.2	17.9	11.2	1.5	25.1
South Korea	8.2	29.3	18.2	12.3	6.7
Annual FDI Flow					
As pct. of GDP	1.1	1.5	1.3	1.4	2.5

a/ Annual inflow equivalent to the difference of year-to-year stock figures.
b/ Countries listed above posted the largest cumulative inflows for the five-year period 1995-99.

Source: Bangko Sentral ng Pilipinas

Table 4
Annual Foreign Equity Investment Flows
By Industry a/
(In USD Millions)

	1995	1996	1997	1998	1999
Total	815.0	1,281.0	1,053.4	884.7	1,894.0
Banks/Fin'l	89.8	513.3	226.3	193.1	258.3
Manufacturing	337.9	477.7	172.2	245.5	1,049.2
Chemicals	36.2	52.6	25.4	43.1	15.5
Food Prod.	10.5	19.4	14.0	31.3	852.3
Petroleum and Coal	43.7	0.2	0.1	13.3	0.1
Basic Metal Prod.	23.3	62.5	13.2	34.6	29.3
Other Metal b/	139.3	157.5	68.9	53.5	81.6
Transport Eqpt.	53.0	35.7	23.3	6.5	21.4

Mining	41.9	3.2	2.8	161.3	27.3
Petrol/Gas	23.1	0.9	0.0	18.6	8.9
Geothermal	0.0	0.5	0.0	141.8	18.1
Commerce	94.2	84.8	78.0	161.9	166.1
Wholesale Trade	27.9	31.9	28.6	126.3	92.2
Real Estate	36.2	52.8	49.4	37.8	73.9
Services	30.3	34.6	33.4	12.1	16.7
Public Utilities	218.8	120.6	297.8	67.9	339.7
Communications	16.9	57.7	292.5	3.7	213.8
Electricity	0.0	62.2	0.6	63.7	29.9
Agriculture	0.2	1.4	0.1	0.3	0.8
Construction	2.1	45.4	242.8	6.1	2.0
Annual FDI Flow As pct of GDP	1.1	1.5	1.3	1.4	2.5

a/ Annual flows were computed by subtracting year-to-year stock figures.
b/ Includes machinery and appliances.

Source: Bangko Sentral ng Pilipinas

Table 5
Major Foreign Investors

As shown in Table 1 above, the United States is the Philippines' largest foreign investor, with an estimated 25% share of the Philippines' foreign direct investment stock as of end-1999. An SEC listing of 1998's "Top 5000" corporate revenue earners included some 800 firms with multinational company investments. That list included:

Name of Philippine Corp.	Nationality of Foreign Investor	Equity a/ (In USD Millions)
1. Coca-Cola Bottlers Phils., Inc.	Dutch b/	542.9
2. Petron Corporation	Dutch c/	458.5
3. Phil. American Life and Gen. Insurance Company	American d/	415.3
4. Pilipinas Shell Petroleum Corp.	British	397.2
5. Globe Telecom (GMCR), Inc.	Singaporean e/	321.8
6. Hopewell Power (Phil.) Corp.	British	210.7
7. Republic Cement Corp.	British f/	149.4
8. Procter & Gamble Phils., Inc.	American	144.4
9. Mitsubishi Corp.	Japanese	139.7
10. Caltex Phils., Inc.	American	122.1
11. Eastern Telecom Phils., Inc.	British g/	102.7
12. Nestle Philippines, Inc.	Swiss	102.1

13. Dole Philippines, Inc.	American h/	97.7
14. Rohm Electronics Phils., Inc.	Japanese	91.6
15. Texas Instruments (Phil.), Inc.	American	83.3
16. Enron Power Phils. Corp.	American	82.5
17. Matsushita Electric Phil. Corp.	Japanese	70.5
18. KEPCO Philippines Corp.	HK-Chinese	66.9
19. Citibank N.A.	American	65.2
20. Makati Shangri-la Hotel/Resort	HK-British i/	62.5
21. Republic-Asahi Glass Corp.	Japanese	60.9
22. Keppel Philippine Marine, Inc.	Singaporean	60.1
23. Intel Phils. Manufacturing	American	56.8
24. Goodyear Philippines, Inc.	American	55.1
25. Development Bank of Singapore	Singaporean	54.3
26. Asian Terminals, Inc.	Australian j/	52.7
27. Glaxo Wellcome Phils., Inc.	British	52.5
28. Del Monte Philippines, Inc.	Panamanian k/	52.3
29. Banco Santander Phils., Inc.	Spanish	51.8
30. Dao Heng Bank	HK-Chinese	51.6
31. Sime Darby Pilipinas, Inc.	Malaysian	50.5
32. Toyota Motors Phils., Corp.	Japanese	49.8
33. Uniden Philippines, Inc.	Japanese	49.3
34. Philippine Geothermal Inc.	American	48.8
35. Motorola Philippines, Inc.	American	48.6

a/ Refers to total book value of foreign and local equity as of 1998, unless otherwise specified. Original values expressed in pesos, and converted to US$ equivalents using end-1998 rate of 39.14 pesos/US$.
b/ Coca Cola Amatil/Netherlands B.V.
c/ Saudi Aramco through Dutch subsidiary
d/ American Insurance Group
e/ Singapore Telecom
f/ Jardine Davies
g/ Cable and Wireless World
h/ Castle and Cooke
i/ Jellico Ltd./Sligo Holdings
j/ P & O Australia Ltd.
k/ Central American Resources

Source of Basic Data: “Philippines Top 5000” (SEC publication)

VIII. TRADE AND PROJECT FINANCING

A. The Banking System

The banking sector is comprised of 47 commercial banks, 117 thrift banks and more than 800 rural banks. Although fewer in number, commercial banks dominate the banking sector, accounting for more than 90% of total banking system resources. Latest available statistics place total assets of commercial banks at pesos 2,619 billion (about $64 billion) as of end-March 2000, with the five largest banks accounting collectively for an estimated 43% of this amount. The commercial banks currently operating in the Philippines include three government-controlled banks that specialize in agricultural and industrial development loans. As of March 2000, 19 of the commercial banks in the Philippines were foreign-controlled (13 foreign branch banks and 6 majority foreign-owned domestically incorporated subsidiaries). There are also 14 offshore banking units (OBUs) in the country (4 of which are U.S.-owned), as well as 26 foreign bank representative offices (5 of which are U.S. banks).

While under stress due to the effects of the Asian financial crisis, the banking system remains generally sound and well-capitalized, benefiting from accelerated efforts in the 1990s to reform capital markets, improve bank supervision, and strengthen prudential regulations. Since 1997, the Bangko Sentral ng Pilipinas (BSP, the Central Bank) has implemented policies to, among others, beef up loan loss provisions; tighten disclosure and reporting requirements; and promote mergers and consolidation through regulatory incentives and staggered hikes in minimum capital levels. The largest component (more than 25%) of outstanding loans is to the manufacturing sector. Exposure to the real estate sector has been estimated at less than 14% of outstanding loans. The Bangko Sentral estimates that about 70% of the $6.8 billion of outstanding loans from banks' foreign currency deposit units as of March 2000 were hedged — i.e., owed by exporters (40%), oil companies (5%), and public utilities firms (25%). (Also see Chapter VII-A.9 - Efficiency of Capital Markets and Portfolio Investments.)

The recently enacted (May 2000) General Banking Law of 2000 updates a more than fifty year-old law and provides the Bangko Sentral ng Pilipinas with, among others, the legal basis to prescribe ratios, ceilings or regulations which conform to internationally accepted standards — including those of the Bank for International Settlements (BIS). Although previously constrained from formally adopting internationally accepted capital adequacy standards before the law's recent passage, the Bangko Sentral has been internally monitoring BIS ratios of commercial banks. According to Bangko Sentral officials, Philippine banks are largely in compliance. The new banking law also explicitly authorizes the Bangko Sentral to examine not only banks, but also their subsidiaries.

Special bank examinations require the affirmative vote of at least 5 of the 7 members of the Philippine Monetary Board (the Bangko Sentral's policy making body). Amendments to the BSP charter have been proposed in the legislature which, if passed, would allow Bangko Sentral examiners to conduct special audits as needed upon the approval of the Bangko Sentral governor or his deputy. In addition to its own annual examinations, the Bangko Sentral ng Pilipinas requires that bank financial statements be audited by BSP-accredited local external auditors, several of which are affiliated with international auditors. External auditors are required to bring to the attention of the Bangko Sentral any adverse audit findings.

The deposit insurance scheme — administered by the Philippine Deposit Insurance Corporation (PDIC) — is patterned after the U.S. FDIC. The PDIC has a permanent insurance fund of three billion pesos ($79 million), augmented by premiums paid by member banks (currently 1/5 of one percent per annum of the deposit base). Deposit insurance is up to 100,000 pesos ($2,600) per depositor per bank for all types of deposits.

B. Foreign Exchange Controls Affecting Trade

The BSP liberalized the acceptable modes of payment for exports and imports under a succession of new regulations issued since 1992, provided that the commodities exported/imported are not classified as “prohibited” (i.e., banned outright) or “regulated” (which requires clearance from the appropriate government agencies — see Chapter VI - D). For monitoring purposes, the Bangko Sentral requires pre-registration of imports under Documents Against Acceptance (D/A) and Open Account (O/A) arrangements for an importer to be able to obtain foreign exchange from the banking system for payment.

C. General Availability of Financing

Domestic Capital: Most corporate clients raise capital by borrowing directly from banks or trust funds. Most commercial bank loans are short to medium-term, subject to renewal/rollover. Long-term loans at relatively more attractive rates are readily accessible generally to more established borrowers with proven track records. Venture-capital corporations and government banks cater more readily to small-and-medium enterprises (SMEs), but their resources are limited. Current laws require banks to make a certain percentage of loans for agricultural purposes and for SMEs. Keener competition posed by the liberalization of the banking sector has begun to improve access to banking services. However, banks have been cautious about aggressively expanding loan exposures since the Asian crisis, focusing on improving the quality of their respective loan portfolios. There are emerging signs of a modest revival in bank lending, with commercial banks up year-on-year since November 1999, following successive year-on-year declines since December 1998. Loans as of March 2000 were up 4.7% over 1999’s comparable period. Bankers generally expect no more than 10% year-on-year growth by end-2000 as banks continue to clean up their portfolio of bad debts and foreclosed assets.

The Philippine securities market is growing, but remains relatively small and underdeveloped. Longer-term private commercial paper and bond markets are not yet major sources of capital, although the government has made progress in introducing longer-term treasury issues. At its highest point (i.e., January 1997) before Asian crisis-related uncertainties hit, market capitalization of publicly listed companies had grown to the equivalent of about $89 billion, or almost sixfold the end-1992 level in peso terms. As of April 2000, market capitalization had dropped to the equivalent of barely $46 billion. The equities market is thin (only some 225 listed firms), highly concentrated and prone to volatility. (See also Chapter VII - A.9 - Efficency of Capital Markets and Portfolio Investment).

Foreign Loans: While regulations have substantially eased, the Bangko Sentral ng Pilipinas continues to monitor and/or regulate certain foreign borrowings to ensure that they can be serviced with due regard for the economy’s overall debt servicing capacity. Certain loans of the private sector must be approved by the Bangko Sentral regardless of maturity, the source of foreign exchange for debt service and/or any other consideration. These are: private sector debt guaranteed by the public sector, or covered by forex guarantees issued by local banks; loans granted by foreign currency deposit units funded from or collateralized by offshore loans or deposits; and loans with maturities of more than one year obtained by private banks and financial institutions for relending. Private sector foreign loans outside these categories which will not be serviced with foreign exchange purchased from the banking system do not require prior Bangko Sentral approval. Subject to certain conditions (among others the disposition of the loan proceeds, type of borrower and/or source of credit), certain foreign loans which will be serviced using foreign exchange purchased from the banking system (such as most short-term loans and private sector loans extended by foreign companies to their local subsidiaries) also need not be approved by the Bangko Sentral, but should be registered for access to debt service-related foreign exchange.

In approving foreign currency borrowing, the Bangko Sentral gives priority to export-oriented projects, to projects listed under the Government's Investment Priorities Plan and Medium-Term Public Investment Program, and other promoted sectors.

D. Availability of GSM Credit Guarantees

The U.S. Department of Agriculture (USDA) has allocated $100 million in export credit guarantees for the Philippines for purchases of agricultural products under the GSM-102 program. This program guarantees payments due from foreign banks. The loan period is up to three years and the guarantee covers 98% of principal due from foreign banks. The program covers a wide range of agricultural commodities. USDA has also allocated $2 million in intermediate export credit guarantees for sales of U.S. breeder livestock. To assist private exporters, USDA also provides supplier credit guarantees which cover 50% of the value of U.S. exports of a wide range of products, including higher value products. The Philippines is eligible for a $40 million-facility guarantee program for Southeast Asia to stimulate the creation or improvement of facilities that will benefit U.S. agricultural exports.

E. Availability of Loan Guarantees, Insurance and Project Financing from the Export-Import Bank of the United States, OPIC and the IFIs

Obtaining attractive, competitive financing very frequently is the key to concluding business deals in the Philippines. Because the Asia financial crisis has forced the Government to raise interest rates, supplier financing and trade financing have become more important than ever. Government and private importers of goods and services often buy a financing package rather than the best quality or most appropriate items.

Limited financing is available from foreign currency deposit units in local commercial banks, but generally long-term dollar financing is not easy to find in the Philippines. Companies generally rely on Eximbank financing to purchase the U.S. equipment they need. FCS and Exim will cooperate to disseminate information on Eximbank programs, especially in light of the current unavailability of short-term credit and relatively high peso interest rates. FCS Manila will also work with any U.S. bank in generating interest for Exim's various programs.

Exim also offers matching credit to help U.S. exporters compete against other countries' mixed credit packages. Exim's current exposure in the Philippines is about $2.3 billion. U.S. exporters should take advantage of various Exim loan, loan guarantee and export credit insurance programs. The Embassy's Economic and Commercial sections serve as Eximbank's liaisons in the Philippines.

The Asian Development Bank (ADB), the World Bank, the U.S. Trade & Development Agency (TDA) and Overseas Private Investment Corporation (OPIC) all are active in the Philippines and provide funding for a wide range of projects.

The U.S. Department of Commerce maintains a congressionally mandated Liaison Office to the Asian Development Bank (ADB), Asia's premier financial institution. The ADB headquarters has been located in Manila, Philippines since the Bank's founding in 1966. The United States and Japan are the largest shareholders. ADB is owned by 58 member countries of which 21 received loans totaling $4.9 billion in 1999. Regional membership includes active borrowing countries from the Far East, South Asia, the Pacific Islands and Central Asia (Azerbaijan being the newest member). The largest borrowers in 1999 were the PRC (25%), Indonesia (20%), India (12%), Pakistan (8%) and Thailand (7%). The Philippines ranked 11th with $88 million in borrowings (1.8%).

The sole mission of the Commerce Department's ADB Liaison Office (CS/ADB) is to assist American companies in taking advantage of commercial opportunities from ADB's lending portfolio averaging $5 billion annually. In 1999, American companies won $236 million worth of contracts under ADB projects for a wide range of equipment and services. In line with its re-dedication to poverty alleviation, the ADB achieved its goal of increased lending for social infrastructure projects (i.e, education, health, housing and environmental projects) in 1999 when this sector received the largest share of Bank lending (28%). Transport and communications was second (20%), followed by energy (14%), multisector (14%), agriculture and natural resources (9%), and industry (8).

Aside from its public sector operations, ADB also lends directly to the private sector.
The Philippines' 1999 borrowings include two private sector loans: $45 million for the Maynilad Water Services, Inc. and $40 million for the Philippine International Air Terminals Co. The third loan was a $3 million loan for the Local Government Unit Private Infrastructure Development Facility project. The Philippines also received $7.3 million in technical assistance for rural infrastructure, natural resources, urban development and policy, irrigation, finance and export competitiveness.

The ADB's planned lending program for the Philippines for the period 2000-2003 is $1.6 billion for projects in the agriculture and natural resources, energy, social infrastructure, finance and transport and communications. ADB also plans to provide an additional $16 million in technical assistance. The Bank's operational strategy for the Philippines emphasizes poverty reduction and social development. Specifically, the Bank will finance growth projects in rural areas and for regional development, in particular, the Mindanao and Visayan regions. Social development efforts will focus on health care, basic education and environmental management. ADB's long-term strategy envisages reduced lending for traditional infrastructure such as power generation and airports, and increased assistance for irrigation, roads (especially rural), health care, basic education and urban development (including water supply and sanitation).

There are now 11 ADB resident missions in Asia: Bangladesh, Cambodia, India, Indonesia, Kazakhstan, Nepal, Pakistan, Sri Lanka, Vietnam, Vanuatu and Uzbekistan. A resident mission will open in Beijing, PRC in June 2000. The Bank also maintains representative offices in Washington, D.C., Tokyo and Frankfurt.

To perform its mandate, the U.S. Commercial Liaison Office (CS/ADB) cooperates with the U.S. Director's Office at the ADB and works with the Commercial Service posts in the region. The Liaison Office provides counseling, project information and advocacy and, in cooperation with the ADB and the U.S. Department of Commerce's Multilateral Development Banks Operations, organizes outreach programs in the region as well as in the mainland U.S.A. An American Senior Commercial Officer (Stewart Ballard assumes the post in August 2000) heads the Office. Two Commercial Specialists complement his work. One is a full-time Commercial Environmental Specialist (CES) funded by the US-Asia Environmental Partnership (US-AEP) who focuses exclusively on environment projects.

CS/ADB invites American firms to work with it in exploring ADB commercial opportunities. Contact information: address: American Business Center, 25/F Ayala Life-FGU Building, 6811 Ayala Avenue, Makati City 1226, Philippines; E-mail: manila.adb.office.box@mail.doc.gov and/or csadb@pacific.net.ph; telephone: (632) 887-1345(-7); fax: (632) 887 1164. For detailed information on ADB projects, the ADB's website is: <www.adb.org>.

The U.S. Trade and Development Agency (TDA) supports the development of major infrastructure projects by funding feasibility studies, specialized project technical assistance, orientation visits to the U.S. for project managers, and trade related training. TDA supports both public and private sector projects. Private investors often use TDA's funds, which are in the form of grants, to assist in the preparation of studies required by the various project financing institutions. TDA supports studies on those projects that will offer significant opportunities for U.S. exports of goods and services during project construction. TDA supports studies for projects in the energy, telecommunications, transportation, water, and environmental sectors.

TDA opened an Asia-Pacific Regional Office in June 1997. Co-located with the Foreign Commercial Service in Manila, the office facilitates development of feasibility study proposals for TDA consideration and helps in the overall management and development of the TDA program in the region. The Commercial Service in Manila and TDA work hand-in-hand to develop project opportunities. As a result the Philippines has become one of the most active markets for TDA activities in Southeast Asia. The following projects are a snapshot of current TDA activities in the Philippines:

- Industrial Air Emissions Project
- GIS Projects
- National Power Corporation Transmission Upgrade
- Central Bank Configuration Study
- Port Authority MIS Computerization
- Puerto Princesa Treated Bulk Water Supply & System Expansion Project & Metro Kidapawan Water District Concession
- Petron SO2 Emission Control
- Green Island Solid Waste Management Project
- Cebu Potable Water Project
- Machine Readable Passport and Visa
- Meralco Power Quality
- Distribution Automation & Network Management Projects
- Mini-hydro Power Plant Project in Mindanao
- Motor Vehicle Inspection & Emission Testing System
- Land Titling Computerization Project

The TDA Regional Office can be reached through USCS Manila or directly at Tel. nos. (632) 887-

1192/1196; Fax: (632) 887-1225; E-mail: tdasia@skyinet.net

OPIC finances and insures a significant number of clients in the Philippines. The U.S. Embassy represents OPIC's interests and provides comments and concurrence on the various OPIC projects. Companies seeking medium-or long-term project financing, political risk insurance, or both, should contact OPIC for further information on eligibility and registration procedures.

OPIC can be reached at 1100 New York Ave., N.W., Washington, D.C. 20527
Phone: (202) 336-8585; Fax: (202) 408-5142.

F. Financing and Methods of Payment

The importance of setting competitive payment terms cannot be overemphasized. The key is to offer Philippine buyers payment terms that reflect the real risk in the transaction, and that strike a proper balance between not getting paid and not making the sale at all.

Export payment terms vary from the most costly for the buyer, which is cash in advance, to the riskiest of all payment terms for the U.S. exporter which is open account. In the Philippines, commercial banks may sell foreign exchange to service payments for imports under the following arrangement without prior Central Bank approval: direct remittance, letters of credit, documents against acceptance (D/A), open account (O/A), and documents against payment (D/P).

Other important arrangements not involving payments using foreign exchange are also allowed without prior Central Bank approval. These include self-funded (no-dollar) imports which are funded from importer's own foreign currency deposit accounts or those sent by suppliers abroad for which no payment in foreign exchange will be made; and importations on consignment basis. These refer to importations by export producers of raw materials and accessories/supplies from foreign suppliers abroad for the manufacture or processing of products destined for export to said foreign suppliers/buyers.

G. List of Banks with Correspondent U.S. Banking Arrangements

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

H. List with Contact Information of U.S. Financial/Lending Institutions Operating in the Philippines

Citibank, N.A.
8741 Paseo de Roxas
Makati City
Phone: (632) 894-7701
Fax: (632) 894-7703
Contact: Mr. Suresh Maharaj, Country Corporate Officer

Bank of America
2nd Floor, BA-Lepanto Building
8747 Paseo De Roxas
Makati City
Phone: (632) 815-5477; 815-5452
Fax: (632) 815-5895
Contact: Mr. William Thatcher, Country Manager

I. Contact Information for Local Representive Offices of MDBs/IFIs:

International Finance Corp. (IFC)
Corinthian Plaza
Paseo de Roxas
Makati City
Phone: (632) 848 7333
Fax: (632) 848 7339
Contact: Mr. Vipul Prakash, Chief of Missions

International Monetary Fund (IMF)
Central Bank of the Philippines
A. Mabini St.
Manila
Phone: (632) 400 4985
Fax: (632) 521 2990
Contact: Mr. Markus Rodlauer, Head of Missions

World Bank
23rd Floor, Taipan Place
Ortigas Center
Pasig Center
Phone: (632) 637 5855
Fax: (632) 637 5870
Contact: Mr. Vinay Bhargava, Country Director

Commonwealth Development Corp.
5/F Taipan Place
Emerald Avenue,Ortigas Center
Pasig City
Metro Manila
Phone: (632) 637 4701 (-03)
Fax: (632) 637 4704
E-mail:philippine@mail.philippine.cdc.co.uk

DEG (German Investment & Development Corp.)
c/o Board of Investments, German Desk
Attn: Doris Natividad
BOI Building

385 BOI Building
Gil Puyat Avenue
Makati City
Phone: (632) 895 8372
Fax: (632) 895 3521

IX. BUSINESS TRAVEL

A. Business Customs

The Philippine business environment is highly personalized: business matters are always best dealt with on a face-to-face basis with a warm and pleasant atmosphere. Where the Western businessperson thinks that time is gold and wants to get to the point immediately, the Filipino likes to be indirect, talk about mutual friends and family, exchange pleasantries, and joke. Only after establishing the proper atmosphere will people negotiate. No matter what the final result, the discussions should always end cheerfully. Americans adopting to this cultural practice will have an advantage. To a Filipino, cultivating a friend, establishing a valuable contact and developing personal rapport are what make business wheels turn.

The U.S. businessperson should avoid grappling with the bureaucracy. Customs, for instance, requires dozens of signatures to clear air cargo. The Filipino approach to the problem is to use staff capable of moving through the bureaucracy. Whether getting a driver's license or registering a car, the U.S. business executive will benefit by delegating the chore to that person paid to negotiate through a sea of desks, with a smile and the knack of delivering token gifts at Christmas.

Philippine business has its own etiquette. For example, they address people by their titles (e.g. Architect Cruz, Attorney Jose) although the professional might request an informal approach. Business lunches and dinners are usually arranged personally over the phone and confirmed by the secretary. The person who invites pays. A guest does not order the most expensive items on the menu, unless the host insists otherwise. It is also customary to have a drink before sitting at a dining table. A pleasant atmosphere and a minimum of formality is the tone. Business is not usually discussed until after establishing a convivial tone, usually after soup. Dress is according to venue. It is never wrong to wear the national dress, the "barong Tagalog," a lightweight, long-sleeved shirt worn without a tie, to business and social functions.

Filipinos tend to be lax in replying to RSVPs. Telephone follow-ups are best, about three days before. Party hosts usually have staff track down guests for a confirmation reply. In a formal occasion, seating is arranged. There is usually a head table for the VIPs. A guest speaker is often the highlight of the dinner. Light entertainment is not unusual. Important guests accept requests to sing. Americans with vocal talents can score in the Philippines.

Observing office etiquette is also important. When reprimanding employees, take them aside and do it privately. Be as gentle as possible and always make it a point to end the meeting with some show of personal concern for his family to make him feel he is
still part of the team and that the criticism is not personal.
Christmas is also a time to show appreciation to people with whom you have regular dealings with,

e.g., the security guard, doorman, messenger, as well as good customers and clients, through token gifts. Gifts range from baskets of goodies to company giveaways to plain calendars.

Office hours for business firms and the Philippine Government normally are from 8:00 a.m. to 5:00 p.m. It is best to attempt to accomplish business objectives in midmorning or late afternoon. Many business deals are completed informally during meals, entertainment, or over a round of golf. Offices are generally closed on Saturdays and Sundays.

Summer-weight clothing normally worn in temperate zones is suitable for the Philippines. It is acceptable for businessmen to conduct calls in short or long-sleeved shirt and ties without a coat. Either a two-piece suit or the native “barong tagalog” (a lightweight, long-sleeved shirt worn without a tie) are acceptable, ordinary business attire. Light suits and dresses are appropriate for women. Laundry and dry-cleaning facilities are available.

B. Visa Requirements and Business Mobility

Up-to-date travel information is available on the Department of State’s website (http://travel.state.gov).

Americans who wish to enter the Philippines for business purposes can enter and remain in the country for specific time periods as non-immigrants under provisions of Philippine Immigration Law.

General Provisions

1. Persons may come and stay in the Philippine for business, pleasure or health reasons, without a visa for not more than 21 days and are exempt from payment of immigration fees and charges. This may be extended for another 38 days through a visa waiver. Thereafter, they may apply for the regular monthly extensions for a maximum stay of one year and fifty-nine days.

2. Temporary visitors who have been allowed to stay in the country for more than six (6) months may apply for Alien Certificate of Registration (ACR) and Certificate of Residence as Temporary Visitor (CRTV) with the main office of the Bureau of Immigration (BI) or with its sub-ports which have territorial jurisdiction over these aliens.

Special Provisions

1. SPECIAL INVESTOR’S RESIDENT VISA (SIRV)** - May be issued to an alien, his spouse, and any unmarried children under 21 years of age, if such persons invest USD75,000 or the equivalent in other foreign currency. Such persons can reside in the Philippines while the investment remains. SIRV allows them to acquire permanent resident status.

   Holders of SIRV’s must secure an ACR (Alien Certificate of Registration), CRTV (Certificate of Residence/Temporary Visitor), Emigration Clearance Certificate (ECC) and Special Return Certificate (SRC) and pay all required alien and immigration fees.

2. Citizens of the U.S., Japan, & Germany (which have treaties of commerce, trade, amity and/or navigation with the Philippines) may apply for an INTERNATIONAL TREATY TRADER OR INTERNATIONAL TREATY INVESTOR VISA or EMPLOYEE OF AN INTERNATIONAL TRADER OR INVESTOR VISA provided they have substantial investments in the Philippines or they conduct substantial trade with the Philippines or its nationals.
   The amount of investment of each treaty trader should not be less than 300,000.00 pesos.

3. Foreign business people may enter under PREARRANGED EMPLOYMENT STATUS. Foreign technicians, however, can enter on this basis only if they possess skills not available in the Philippines. Prearranged employment status entitles the visitor to stay for a period of one year. The prearranged employment visa is normally granted co-terminus with the Alien Employment Permit (AEP) issued by the Department of Labor and Employment. The stay may be renewed annually with the Bureau of Immigration (BI).

4. An alien who is admitted as a nonimmigrant can apply for permanent resident status without departing the Philippines.

** The Bureau of Immigration has temporarily suspended the processing and issuance of SIRV's until it is able to adopt more effective measures to limit this to legitimate foreign investors.

The suspension will stand until an interagency committee formulates a sufficient mechanism that will ensure only foreign investors that meet the requirements are given the special visa.

C. Workweek and Holidays

All offices close during the following public holidays: January 1, New Year's Day; April 9, Bataan & Corregidor Day and Heroism Day; Easter Holidays, which include Maundy Thursday and Good Friday; May 1, Labor Day; June 12, Independence Day; August 27, National Heroes Day; November 1, All Saints' Day; November 30, Bonifacio Day; December 25, Christmas Day; and December 30, Rizal Day. June 24, Manila Day, is observed only in the City of Manila while August 19, Quezon Day, is observed only in Quezon City. In addition, special public holidays such as Election Day and EDSA Revolution Day, may be declared by the President and are observed nationwide.

The U.S. Mission in the Philippines observes the following U.S. public holidays: New Year's Day, Martin Luther King Day, President's Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day.

D. Business Infrastructure

The Philippine climate is tropical. December, January and February are generally considered the most pleasant months. The hot season or Philippine summer is from March to June. The rainy season, punctuated by typhoons, lasts from June until November.

There are two official languages in the Philippines: English and Pilipino. English is widely spoken and is taught in the Philippine school system, as well as the usual language of commerce. Pilipino, based on Tagalog, is the national language, and is also taught in the school system. Most Filipinos use Pilipino or a regional dialect as their medium of normal conversation. Relatively few Filipinos speak or use Spanish.

There is a large manpower pool of over 30 million Filipinos ranging in age from 15 years and above. The Philippine Government promotes Filipinos as among the most productive, creative, and easily trainable people in Asia. They are also among the most educated, with a literacy rate of 85%.

In the Philippines, one can generally travel to most parts of the country, although the quality of the road network varies tremendously. Distances that might be covered quickly in the United States can take much longer in the Philippines, due to poor road quality and congestion. An extensive road network links practically the whole of the archipelago. The country has 89 airports but only a few meet U.S. standards. Air services to destinations other than the largest cities can be subject to delays.

Use of accredited hotel taxis with the assistance of the hotel are more dependable than taxis hailed on the street. Hotel taxis charge a flat rate for travel to specified locations.

Car rentals are also available with or without a driver although cost is much higher than in U.S. standards. U.S. franchisees such as Avis, Hertz, Budget operate in the Philippines and accept international driver’s license up to 60 days.

Visitors to the Philippines have a wide choice of hotels and apartments for short stays. There are 15 De Luxe hotels operating in Metro Manila. These include the Westin Philippine Plaza, Traders Hotel, Hyatt Regency Manila, Holiday Inn Manila Pavilion, Hotel Sofitel Grand Boulevard, Manila Diamond Hotel, The Manila Hotel, Pan Pacific Hotel and The Heritage which are all located in the Bay area. In Makati City, the business district, one will find the Hotel Intercontinental, the Manila Peninsula, Mandarin Oriental, The Dusit Hotel Nikko, Shangrila Manila and the New World Hotel. In the Ortigas area are the EDSA Shangrila Hotel, Richmonde Hotel and Galleria Suites Condotel. An additional 64 accredited hotels are outside Metro Manila — in Baguio City, Tagaytay City, Cebu, Davao, La Union, Subic, Cavite, Angeles City, etc. All hotel rates are quoted in Dollars, exclusive of a 10% service charge and 10% expanded value-added tax, plus a 3.5% government tax.

For expatriates staying for longer periods, well-appointed houses, townhomes and condominium units are becoming expensive and increasingly harder to locate.

The Philippines has the largest number of educational institutions in Asia. It has several international schools and a number of private schools for American, British, German, French, and Japanese children in the primary and secondary levels.

For personal needs, supermarkets, malls and smaller shopping centers, fashion boutiques, and a variety of shops are in abundance. There are several modern and well-equipped hospitals and medical facilities in Metro Manila. Doctors with U.S. experience and other medical professionals are abundant. Medical fees are reasonable and pharmaceuticals of all types are available.

Sanitary conditions in the Philippines are not on par with those in the U.S. Uncooked food and unboiled water should be avoided. The air in Metro Manila is heavily polluted. There are several modern and well-equipped hospitals and medical facilities in Metro Manila, many with U.S.-trained doctors. Medical fees are reasonable and pharmaceuticals of all types are available.

For entertainment, there is a wide choice of movie houses, theaters, and social clubs. Personal services such as fitness clubs, beauty salons, and others are easily obtainable. Tailors abound, and laundry and dry-cleaning facilities are available. There are numerous restaurants offering a variety of cuisines. Business entertainment normally takes place in restaurants. Similarly, sporting facilities such as golf courses and scuba diving sites are abundant.

The Philippine Postal Corporation (Philpost) provides for surface, airmail, and Express Mail Service (EMS), as well as domestic regular, priority, and express mail, postal money order service, and registered and special delivery mail. Airmail letters between the Philippines and the U.S. usually arrive in seven to ten days. The current airmail postage rate for letters to the U.S. starts at Pesos15 (for letters up to 20 grams in weight) and Pesos 59 (letters weighing between 21-100 grams in weight). There is an additional Pesos 8 fee for letters sent by registered mail. Express mail service is available. Courier services such as DHL, TNT Skypack, Federal Express, and UPS are best to transmit important documents to and from the Philippines.

There is a large manpower pool of over 26 million Filipinos ranging in age from 15 years and above. Filipinos are among the most productive, creative, and easily trainable people in Asia. They are also among the most educated, with a literacy rate of 85%.

E. Temporary Entry of Goods

The Philippines is not a signatory to the International Carnet Convention. The Philippine Bureau of Customs requires the imposition of a re-export bond for exhibit materials, articles brought into the Philippines for repair, processing or reconditioning, software, and laptop computers (in commercial quantity). A re-export bond (amounting to one and one-half times the ascertained duties), taxes and other charges are paid to the Bureau of Customs. A re-export bond ensures that the items will be brought back by the travelers when they leave the country. A business person hand-carrying a personal laptop computer, however, does not have to post a re-export bond upon establishing that the item is part of personal effects and is not new.

F. Commercial Service Contact Information

George Ruffner, Counselor for Commercial Affairs
Robert Bannerman, Commercial Attaché
Val Huston, Commercial Officer
25/F Ayala Life-FGU Center, 6811 Ayala Avenue
Makati City
Phone: (632) 888-4081 to 98
Fax: (632) 888-6606
E-mail: George.Ruffner@mail.doc.gov
Robert.Bannerman@mail.doc.gov
Val.Huston@mail.doc.gov
Office.Manila@mail.doc.gov

Note: The U.S. Commercial Service Manila encourages U.S. business travelers to schedule appointments prior to their departure from the States.

X. ECONOMIC AND TRADE STATISTICS

APPENDIX A: DOMESTIC ECONOMY

(In USD Millions, except where noted)

	1998 (Actual)	1999 (Actual)	2000 (Projections)
GDP (current prices) a/	65,497	76,653	78,850
Real GDP growth rate (%)	5.2	3.4	3.8-4.3
GDP per capita ($/person) a/	891	1,019	1,025
Government spending as percent of GDP b/	19.1	19.7	19.2
Inflation (Year-on-Year, %)	9.7	6.6	5.0
Unemployment (%)	10.1	9.6	9.5-9.8
Foreign exchange reserves	10,806	15,107	16,000-17,000
Ave. forex rate for $1.00	40.89	39.09	41.00-42.00
Debt service ratio (in %; ratio of principal and interest payments to export income) c/	11.7	13.0	14.5
U.S. govt. economic assistance d/	58.1	69.8	54.7

a/ 2000 projections are midpoints of low and high ends of a range.
b/ National Government's cash disbursements as percent of GDP.
c/ Export income refers to sum of goods and services exports.
d/ Figures are for U.S. fiscal year (October-September).

APPENDIX B: MERCHANDISE TRADE
(In USD Millions)

	1998 (Actual)	1999 (Actual)	2000 c/ (Projections)
Total country exports, FOB a/	29,496	35,032	39,900
Total country imports, FOB a/	29,524	30,726	35,600
U.S. Exports b/	6,736	7,226	7,585
U.S. Imports b/	11,949	12,380	13,490

a/ Philippine data
b/ U.S. data
c/ Embassy projections based on January-March 2000 data
Sources: Bangko Sentral ng Pilipinas, USDOC

XI. U.S. AND PHILIPPINE CONTACTS

U.S. Embassy Contacts:

U.S. Embassy Manila
Thomas Hubbard, Ambassador
1201 Roxas Blvd., Manila
Phone: (632) 523-1001 ext. 2276
Fax: (632) 522-4361

U.S. Commercial Service
George Ruffner, Counselor for Commercial Affairs
Robert Bannerman, Commercial Attaché
Val Huston, Commercial Officer
25/F Ayala Life-FGU Center, 6811 Ayala Avenue
Makati City
Phone: (632) 888-4081 to 98
Fax: (632) 888-6606
E-mail: George.Ruffner@mail.doc.gov
Robert.Bannerman@mail.doc.gov
Val.Huston@mail.doc.gov
Office.Manila@mail.doc.gov

Foreign Agricultural Service (FAS)
Charles Alexander, Agricultural Counselor
Kevin Sage-el, Agricultural Attach
25/F Ayala Life-FGU Center, 6811 Ayala Avenue
Makati City
Phone: (632) 523-1001 ext. 5630; 887-1137/53
Fax: (632) 887- 1268
E-mail:alexanderc@fas.usda.gov
sage-el@fas.usda.gov
agmanila@fas.usda.gov

Joint U.S. Military Assistant Group to the Republic of the Phils.
(JUSMAG)
Col. Steve Moores, Chief
1201 Roxas Boulevard, Manila
Phone: (632) 523-1319
Fax: (632) 522-4356; 523-1296

U.S. Agency for International Development (USAID)
Patricia K. Buckles, Director
Ramon Magsaysay Center, 1680 Roxas Blvd., Manila
Phone: (632) 522-4411

Fax: (632) 521-5241
E-mail:pbuckles@usaid.gov

U.S. - Asian Environmental Partnership (US-AEP)
Office of Technology Cooperation
Alma Bella P. Madrazo, Ph.D., Director
c/o U.S. Commercial Service
25/F Ayala Life-FGU Center, 6811 Ayala Avenue
Makati City
Phone: (632) 888-6092; 888-4081 to 98
Fax: (632) 888-6093
E-mail:Alma.Madrazo@mail.doc.gov

Asian Development Bank - FCS Liaison (FCS-ADB)
Stuart Ballard, Senior Commercial Officer
c/o American Embassy Manila
25/F Ayala Life-FGU Center, 6811 Ayala Avenue
Makati City
Phone: (632) 523-1001 ext. 5857; 887-1346 to 47
Fax: (632) 887-1345
E-mail: manila.adb.office.box@mail.doc.gov

U.S. Trade and Development Agency (TDA)
John Herrman, Deputy Regional Director
Asia Office:
c/o American Embassy Manila
25/F Ayala Life-FGU Center, 6811 Ayala Avenue
Makati City
Phone: (632) 887-1192
Fax: (632) 887-1225
E-mail:tdasia@skyinet.net
U.S. Headquarters:
1621 N. Kent, Room 309
Rosslyn, VA 22209
Phone: (703) 875-4357
Fax: (703) 875-4009
E-mail:info@tda.gov

Defense Attache Office (DAO)
Col. Scott Page, Acting Defense Attache
1201 Roxas Blvd., Manila
Phone: (632) 523-1001
Fax: (632) 522-1774
E-mail: usdaomanila@netasia.net asia.com

Economic Section
Morton Holbrook, Economic Counselor

1201 Roxas Blvd., Manila
Phone: (632) 526-7767; 523-1001 ext. 2280/2003
Fax: (632) 338-4127

Amcham and Business Councils:

The American Chamber of Commerce of the Phils., Inc. (AMCHAM)
Robert Sears, Executive Director
2nd Floor, Corinthian Plaza, Paseo de Roxas, Makati City
Phone: (632) 811-3192
Fax: (632) 811-3081; 811-3184; 811-3241
E-mail:amchamrp@mozcom.com

RP-U.S. Business Council
Rizalino S. Navarro, Chairman and CEO
House of Investment Inc.
3/F Grepalife Bldg., 219 Sen. Gil Puyat Avenue
1200 Makati City
Phone: (632) 844-8270; 815-9639; 815-9636 to 38
Fax: (632) 815-9640; 816-1127
E-mail:rsnavarro@hoi.com.ph

U.S.-Asean Business Council
Philip Gielczyk, Executive Director
4th Floor, 395 Sen. Gil Puyat Ave., Makati City
Phone: (632) 895-4333; 895-3008
Fax: (632) 895-3007
E-mail:usabcmanila@pacific.net.ph; pgielczyk@pacific.net.ph

Trade and Industry Associations:

Air & Waste Management Association (AWMA)
Dr. Edgardo Alabastro, Chairman
Technotrix Phils. Inc.
Suite 605, FMSG Bldg.
Balete Drive, Quezon City
Phone: (632) 727-7494 / (632) 416-4625
Fax: (632) 416-4625

Association of Firearms and Ammunition Dealers of the Philippines (AFAD)
Atty. Hector C. Rodriguez, Jr., President
Suite 200 PBD Bldg.
27 Don Alejandro Roces Ave., Quezon City
Phone: (632) 411-7444 to 49 loc. 148, 414-3062
Fax: (632) 414-3062
E-mail: pbd@mnl.sequel.net

Agricultural Machinery Manufacturers and Distributors Association (AMMDA) Foundation, Inc.
Ceferino G. Follosco, Jr., President
439 E General Tinio Street
Morning Breeze Subdivision
Caloocan City
Phone: (632) 365-6169
Fax: (632) 361-1940
E-mail : ammda@compass.com.ph

Chamber of Real Estate & Builders Associations, Inc. (CREBA)
Jaime Cura, President
3rd Floor, CREBA Center
Don Alejandro Roces Ave. corner South "A" St., Quezon City
Phone: (632) 373-2267 to 73
Fax: (632) 373-2271; 373-2274
E-mail: creba@globe.com.ph

Computer Distributors and Dealers Association of the Philippines (COMDDAP)
Wesley C. Ngo, President
7th Floor, SEDCCO I Bldg., Rada corner Legaspi St.
Legaspi Village, Makati City
Phone: (632) 810-3814; 892-7947
Fax: (632) 815-6531
E-mail: comddap@info.com.ph

Confederation of Filipino Consulting Organizations, Inc.
(COFILCO)
Angel Lazaro, Jr., President
160 Panay Avenue cor. Edsa, Quezon City
Phone: (632) 924-1931/1865; 735-3170
Fax: (632) 924-1887; 735-3170 (asst. secretariat)
E-mail: cofilco@eGroups.com

Council of Engineering Consultants of the Philippines (CECOPHIL)
Rolando Roque, President
18/F Herrera Tower, Herrera cor. Valero St.
Salcedo Village, Makati City
Phone: (632) 845-1197
Fax: (632) 845-1197
E-mail: cecophil@radian.com.ph

Hospital, Medical, Laboratory Equipment & Supply Importers
Association of the Philippines, Inc. (HOMLESIAP)
Enrique Lim, President
c/o Latex Philippines, 704 Aurora Blvd., Quezon City
Phone: (632) 721-5211
Fax: (632) 721-7012

Hotel and Restaurant Association of the Philippines (HRAP)
Rolf Pfistere, President
Suite 200, Hotel Intramuros de Manila
Urdaneta cor. Cabildo St., Intramuros, Manila
Phone: (632) 524-6370 to 32 loc. 116
Fax: (632) 527-9927
E-mail: hrap@info.com.ph

Integrated Telecommunications Suppliers Association of the Philippines (ITESAP)
Franky A. Naranjilla, President
c/o PETEF, 7/F PSBank Tower, Tindalo St. corner
Sen. Gil Puyat Avenue, Makati City
Phone: (632) 759-3869 or 813-6398
Fax: (632) 813-6397
E-mail: itesap@info.com.ph

Institute of Integrated Electrical Engineers of the Philippines, Inc. (IIEEP)
Arthur Lopez, Jr, President
IEEE National Headquarters, IIEE Bldg.
41 Monte de Piedad St., Cubao, Quezon City
Phone: (632) 414-5626; 722-7383; 727-3552; 727-3558
Fax: (632) 727-3545
E-mail: iiee@pworld.net.ph

Kapisanan ng mga Brodkaster sa Pilipinas (KBP)
(Association of Broadcasters of the Philippines)
Joselito G. Yabut, President
6th Floor, LTA Bldg., #118 Perea St.
Legaspi Village, Makati City
Phone: (632) 892-4129; 815-1990 to 93
Fax: (632) 815-1989
E-mail: kbp@pacific.net.ph

National Confederation of Constructors Association of the Philippines (NCCAP)
Wilfredo Castor, President
Rm. 213, Eagle Court Condominium
26 Matalino St., Diliman, Quezon City
Phone: (632) 920-9449; 928-3187
Fax: (632) 928-3187

Philippine Chamber of Commerce and Industry (PCCI)
Atty. Miguel Varela, President
Ground Floor, East Wing, Secretariat Bldg.
PICC, CCP Complex, Roxas Blvd., Pasay City
Phone: (632) 833-8591; 833-8592
Fax: (632) 833-8895

E-mail: pcciintr@mozcom.com

Philippine Chamber of Food Manufacturers, Inc. (PCFMI)
Renato Montemayor, President
Rm. 1216, Cityland 10, Tower II
6817 Ayala Ave. corner H.V. dela Costa St.
Salcedo Village, Makati City
Phone: (632) 892-4163
Fax: (632) 893-3893

Philippine Constructors Association (PCA)
Isidro Consunji, President
3rd Floor, Padilla Bldg., Emerald Ave.
Ortigas Complex, Pasig City
Phone: (632) 631-3135; 631-2778; 631-2817-32
Fax: (632) 631-2788
E-mail: philcon@skyinet.net

Philippine Electronics and Telecommunications Federation (PETEF)
Atty. Rodolfo Salalima, President
7th Floor, Unit 11, PS Bank Tower
Tindalo corner Sen. Gil J. Puyat Ave., Makati City
Phone: (632) 813-6398
Fax: (632) 813-6397
E-mail: petef@mailstation.net

Philippine Food Processors & Exporters Confederation (PHILFOODEX)
Jesus Tanchanco, Sr., President
Rm. 304, JS Contractor Bldg.
423 Magallanes St., Intramuros, Manila
Phone: (632) 527-5811
Fax: (632) 527-5811

Philippine Franchise Association (PFA)
Manuel M. Siggaoat, President
2nd Floor, Collins Bldg., 167 EDSA, Mandaluyong City
Phone: (632) 532-5677; 531-3894
Fax: (632) 532-5644
E-mail: pra@snap.portalinc.com

Philippine Hospital Association (PHA)
Dr. Avelino A. Obispo, President
14 Kamias Road, Quezon City
Phone: (632) 922-7675; 922-7674
Fax: (632) 921-2219
E-mail: pha@net.com.ph

Philippine Hotel Owners Association (PHOA)
Patricio L. Lim, President
Atty. Ma. Belina Marinao, Executive Secretary
12th Floor, BA Lepanto Bldg.
Paseo de Roxas St., Makati City
Phone: (632) 818-5160
Fax: (632) 818-9377

Philippine Independent Power Producers Association (PIPPA)
David Tan, President
C/o Edison Global Electric Ltd.
150 Panay Avenue, South Triangle
Quezon City
Phone: (632) 920-3851 to 53; 929-2332
Fax: (632) 929-2333

Philippine Institute of Architects (PIA)
Augusto C. Galang, President
#65 East Capitol Drive
Barrio Kapitolyo, Pasig City
Phone: (632) 634-2512
Fax: (632) 634-2512

Philippine Medical Association (PMA)
Nenita Lee Tan, President
PMA Bldg., North Ave., Quezon City
Phone: (632) 928-2132; 929-3514/6366
Fax: (632) 929-7361
E-mail: pma@stat.net.ph

Philippine Retailers Association (PRA)
Maria Alegria Limjoco, Chairman
Manuel M. Siggaoat, Vice Chairman
2nd Floor, Collins Bldg., 167 EDSA, Mandaluyong City
Phone: (632) 532-5677; 531-3894
Fax: (632) 532-5644
E-mail: pra@portalinc.com
Website: http://philippine1.com/phil-retailers

Renewable Energy Association of the Philippines (REAP)
Olegario Serafica, President
#11 Liamzon St., Midtown, Marikina, Metro Manila
Phone: (632) 646-7319
Fax: (632) 645-8167
E-mail: renergy@compass.com.ph

Society of Philippine Electrical Contractors & Suppliers, Inc. (SPECSI)

Engr. Edwin Llamas, President
2nd Floor, IIEE Bldg., 41 Monte de Piedad St.
Cubao, Quezon City
Phone: (632) 722-4725; 413-9177
Fax: (632) 722-4725

Subdivision and Housing Developers Association
4/F, Osmena Place Bldg., #2345 Osmena St.
Makati City
Phone: (632) 890-7031 to 34 loc. 106/107; 899-8275
Fax: (632) 890-0323
E-mail: shda@mozcom.com
Contact: Santiago Ducay, Executive Director

United Architects of the Philippines (UAP)
Arch. Prosperidad C. Luis, President
Folk Arts Theater, CCP Complex
Roxas Blvd., Pasay City
Phone: (632) 551-4329; 551-4351; 551-4233
Fax: (632) 832-7850
E-mail: uniarki@compass.com.ph
Website: http://www.nap-online.org

Water Environment Association of the Philippines (WEAP)
Jose De Jesus, President
Unit 21 Enriqueta Bldg.
#422 NS Amoranto St., Quezon City
Phone: (632) 732-7984
Fax: (632) 414-1981
E-mail: weap@qinet.net

Government Agencies:

Air Transportation Office (ATO)
Capt. Jacinto F. Ortega, Jr., Assistant Secretary
MIA Road, Pasay City
Phone: (632) 832-3308; 833-0125; 831-8078
Fax: (632) 834-0143

Armed Forces of the Philippines (AFP)
General Angelo T. Reyes, Chief of Staff
Gen. Headquarters, AFP
Camp Aguinaldo, Quezon City
Phone: (632) 911-6001 to 10 local 6600, 911-6436, 911-7907
Fax: (632) 911-7783

Bangko Sentral ng Pilipinas (BSP)

(Central Bank of the Philippines)
Rafael Buenaventura, Governor
A. Mabini St., Malate, Manila
Phone: (632) 523-8808; 524-7011
Fax: (632) 536-0076

Bureau of Customs (BOC)
Renato A. Ampil, Commissioner
South Harbor, Port Area, Manila
Phone: (632) 527-4570/4511/9451/8401
Fax: (632) 527-1953

Bureau of Export Trade Promotion
Antonio R. Reyes, Executive Director
Nora Torralba, Assistant Director
New Solid Building
357 Sen. Gil Puyat Avenue, Makati City
Phone: (632) 899-0133; 759-3381; 896-3668/3658
Fax: (632) 890-4707; 890-4716
E-mail: betpod@dti.gov.ph

Bureau of Food and Drugs (BFAD)
William Torres, Director
Filinvest Corporate City Compound
Alabang, Muntinlupa, Metro Manila
Phone: (632) 807-0721
Fax: (632) 807-0751
E-mail:bfadmis@itdgate.stii.dost.com.ph

Bureau of Internal Revenue (BIR)
Dakila B. Fonacier, Commissioner
BIR Bldg., East Triangle, Diliman, Quezon City
Phone: (632) 922-3293; 926-3803
Fax: (632) 922-4894

Bureau of Product Standards (BPS)
Jesus L. Motoomull, Director
Trade and Industry Bldg.
361 Sen. Gil Puyat Ave., Makati City
Phone: (632) 890-4901; 890-4965; 890-4924
Fax: (632) 890-5129
E-mail:bps@dti.gov.ph

Clark Development Corporation (CDC)
Sergio T. Naguiat, Jr., President
Rufo Colayco, President

Head Office:
Bldg. 2122, Quirino St.
Clark Special Economic Zone, Pampanga
Phone: (63-45) 599-2042; 599-2092
Fax: (63-45) 599-2507
Liaison Office:
4/F Pacific Star Bldg.
Sen. Gil Puyat Avenue, Makati City
Phone: (632) 817-9714
Fax: (632) 813-6297

Coordinating Council for Private Sector Privatization (CCPSP)
Podium Level, Executive Tower Bldg.
BSP Complex, A. Mabini St.
Ermita, Manila
Phone: (632) 526-2237
Fax: (632) 525-7126; 521-4263
E-mail:bot@ccpsp.admu.edu.ph

Construction Industry Authority of the Philippines (CIAP)
Kathryn Josephine T. dela Cruz, Executive Director
4/F Jupiter I Bldg., 56 Jupiter St.
Makati City
Phone: (632) 895-4424; 897-9313
Fax: (632) 897-9336; 897-9313
E-mail:Ciap@info.com.ph

Department of Energy (DOE)
Mario Tiaoqui, Secretary
Energy Center, Merritt Road
Fort Bonifacio, Taguig, Metro Manila
Phone: (632) 844-1021 to 29; 844-2850
Fax : (632) 817-8603
E-mail:mtiaoqui@DOE.gov.ph

Department of Environment and Natural Resources (DENR)
Antonio H. Cerilles, Secretary
DENR Bldg., Visayas Ave., Diliman, Quezon City
Trunkline: (632) 929-6626 loc. OSEC 2147
Phone: (632) 928-0691; 928-4969; 926-2567
Fax: (632) 920-4352; 926-5595
E-mail: tony@denr.gov.ph

Department of Health (DOH)
Alberto G. Romualdez, Jr., Secretary
San Lazaro Compound, Sta. Cruz, Manila
Phone: (632) 711-9502/03; 743-1786; 743-8301

Fax: (632) 743-1829
E-mail:osec@doh.gov.ph

Department of Interior and Local Government (DILG)
Alfredo S. Lim, Secretary
10/F Office of the Secretary
A. Francisco Gold Condominium II
EDSA corner Mapagmahal Street, Diliman, Quezon City
Phone: (632) 925-0320, 925-0330
Fax: (632) 925-0332
E-mail: dilgmail@dilg.com.ph

Department of National Defense (DND)
Orlando S. Mercado, Secretary
3rd Floor, DND Bldg., Camp Aguinaldo, Quezon City
Phone: (632) 911-6183, 911-6193
Fax: (632) 911-6213

Department of Public Works and Highway (DPWH)
Gregorio R. Vigilar, Secretary
Bonifacio Drive, Port Area, Manila
Phone: (632) 304-3000; 527-4111; 527-5616
Fax: (632) 304-3020

Department of Trade and Industry (DTI)
Manuel A. Roxas II, Secretary
4th Floor, Industry and Investment Bldg.
385 Sen. Gil Puyat Ave., Makati City
Phone: (632) 899-7448; 899-7762/63
Fax: (632) 896-1166
E-mail:marroxas@boi.gov.ph; osec@boi.gov.ph

Department of Transportation and Communications (DOTC)
Vicente C. Rivera, Jr., Secretary
17th Floor, Room 177 Columbia Tower
Ortigas Ave., Mandaluyong City
Phone: (632) 726-7105 to 06, 726-7125
Fax: (632) 726-7104
E-mail:dotc@webquest.com

Environmental Management Bureau (EMB)
Peter Abaya, Director
2/F DENR Bldg., DENR Compound
Visayas Ave., Diliman Quezon City
Phone: (632) 927-1517
Fax: (632) 927-1518

Housing and Urban Development Coordinating Council (HUDCC)
Leonora Vasquez de Jesus, Presidential Adviser on Housing and Chairperson HUDCC
Room 806, 8th Floor, Atrium Bldg.
Makati Ave., Makati City
Phone: (632) 811-4168; 811-4170
Fax: (632) 811-4158
E-mail: hudcc2@mozcom.com

Insurance Commission
Atty. Eduardo T. Malinis, Commissioner
1071 U.N. Avenue
Ermita, Manila
Phone: (632) 525-20-15; 523-84-61 to 70
Fax: (632) 522-1434

Intellectual Property Office (IPO)
Emma C. Francisco, Director-General
1st Floor, 361 Trade & Industry Bldg.
Sen. Gil Puyat Ave., Makati City
Phone: (632) 890-4862; 890-4950
Fax: (632) 890-4862
E-mail:ipo@dti.gov.ph

Manila International Airport Authority (MIAA)
Col. Antonio P. Gana, General Manager
4th Floor, MIAA Administration Bldg.
MIA Rd., NAIA Complex, Pasay City
Phone: (632) 831-6205
Fax: (632) 833-1180

Metropolitan Waterworks and Sewerage System (MWSS)
Jose F. Mabanta, Administrator
Katipunan Road, Balara, Quezon City
Phone: (632) 922-3757; 922-2969
Fax: (632) 921-2887
E-mail:mwssjfm@epic.net

National Computer Center (NCC)
Ramon Ike Señeres, Director-General
NCC Bldg., C.P. Garcia Ave.
U.P. Diliman, Quezon City
Phone: (632) 920-7420; 920-7444
Fax: (632) 920-7444
E-mail:ivs@info.com.ph

National Economic and Development Authority (NEDA)
Felipe Medalla, Secretary of Socio-Economic Planning & NEDA Director-General

NEDA sa Pasig, Amber Ave., Pasig City
Phone: (632) 631-3716; 631-0945 loc. 147/148
Fax: (632) 631-3747
E-mail:fmm@mail.neda.gov.ph

National Power Corporation (NPC)
Federico Puno, President
BIR Road corner Quezon Ave., Diliman, Quezon City
Phone: (632) 924-5420; 921-2998
Fax: (632) 922-4339
E-mail:fepuno@napocor.com.ph

National Telecommunications Commission (NTC)
Atty. Joseph A. Santiago, Commissioner
NTC Bldg., BIR Road, East Triangle
Diliman, Quezon City
Phone: (632) 924-4042; 921-3251
Fax: (632) 921-7128

One Stop Export Documentation Center
(Philippine Exporters Confederation, Inc.)
Arman Victoria, Manager
International Trade Center Complex
Roxas Boulevard, Pasay City
Phone: (632) 831-2201; 831-1812
Fax: (632) 831-5238

Philippine Coast Guard (PCG)
Admiral Euceo E. Fajardo, Commandant
139 25th Street, Port Area, Manila
Phone: (632) 527-3868
Fax: (632) 527-3868

Philippine Contractors Accreditation Board (PCAB)
Froilan Castro, Executive Director
2/F, Jupiter I Bldg., 56 Jupiter St.
Bel-Air Village, Makati City
Phone: (632) 895-3183/93; 897-0869
Fax: (632) 895-4255

Philippine Economic Zone Authority (PEZA)
Lilia de Lima, Director General
PEZA Bldg., Roxas Blvd. Corner
San Luis St., Pasay City
Phone: (632) 551-3454/55
Fax: (632) 551-3449; 891-6380
E-mail:peza@fastmail.i-next.net

Philippine Exporters Conferederation, Inc. (Philexport)
Sergio R. Ortiz-Luis, Jr., President
International Trade Center Complex
Roxas Boulevard, Pasay City
Phone: (632) 833-2531 to 34
Fax: (632) 831-0231

Philippine National Police (PNP)
General Panfilo "Ping" M. Lacson, Chief
Camp Crame, Quezon City
Phone: (632) 723-8108, 724-8819, 722-0802
Fax: (632) 722-5443

Philippine National Railways (PNR)
Mr. Jose Fernando B. Camus, General Manager
Management Center, Torres Bugallon St.
Kaloocan City
Phone: (632) 287-3062; 362-2406; 361-1125 loc 400; 365-4781
Fax: (632) 362-0824

Philippine Ports Authority (PPA)
Juan O. Peña, General Manager
22 Muelle de San Francisco St.
South Harbor, Manila
Phone: (632) 527-4844; 527-8356; 527-4856
Fax: (632) 527-4853
E-mail:jopena@ppa.gov.ph

Subic Bay Metropolitan Authority (SBMA)
Felicito C. Payumo, Chairman
Bldg. 229, Waterfront Road, Subic Bay Free Port
Olongapo City, Philippines
Phone: (63-47) 222-3721; 384-6780; 252-4895
Fax: (63-47) 222-3573

Tariff Commission
Emmanuel T. Velasco, Chairman
5th Floor, Philippine Heart Center Bldg.
East Ave., Quezon City
Phone: (632) 921-7960; 433-5899; 925-2401 x3501
Fax: (632) 921-7960
E-mail:tarcm@pworld.net.ph

Other Private Sector Contacts:

Board of Investments-American Desk
Robert W. Blume, Investment Promotions Manager
385 Sen. Gil Puyat Ave., Makati City
Phone: (632) 895-8851; 895-3918
Fax: (632) 896-2315
E-mail:amdeskboi@vasia.com

Washington-Based U.S. Government Contacts:

Commerce Liaison Office (CLO)
Janice Mazur, Executive Director's Assistant
Office of the United States Executive Director
World Bank
1818 H. Street, NW, Washington, D.C. 20433
Phone: (202) 458-0118
Fax: (202) 477-2967

TPCC - The Trade Information Center
Gary Bouck, Philippine Commercial Information
Jim Robb, Asia Team Leader
International Trade Administration
U.S. Department of Commerce
1401 Constitution Ave., N.W.
Ronald Reagan Building
R-TICWashington, D.C. 20230
Phone: 1-800-USA-TRADE
Fax: (202) 482-4473
E-mail: TIC@ita.doc.gov
Website: http//:tradeinfo.doc.gov

U.S. Department of State
Office of the Coordinator for Business Affairs
E/CBA
2201 C Street, NW
Washington, D.C. 20250
Phone: (202) 647-1625
Fax: (202) 647-3953

U.S. Department of Commerce (USDOC)
Jean Kelly, Market Access Officer for the Philippines
Office of the Pacific Basin
Room 2324
Washington, D.C. 20230
Phone: (202) 482-3448
Fax: (202) 482-3316
E-mail: Jean_Kelly@ita.doc.gov

U.S. Department of Agriculture (USDA)
Maria Nemeth-Ek, Trade and Promotion Coordinator
Foreign Agricultural Service
Trade Assistance and Promotion Office
Phone: (202) 720-7420
Fax: (202) 690-4374
E-mail: Nemeth@fas.usda.gov

U.S. Department of State
Philippine Desk
EAP/PIMBS
2201 C Street, NW
Washington, D.C. 20250
Phone: (202) 647-1221
Fax: (202) 736-4559Fax

United States-Asia Environmental Partnership Program (US-AEP)
Jeremy Hagger, Associate Director
Randy Yamada, Managing Director for Activity Development
Paul Lapierre, Managing Director for Environmental Trade Programs
US-AEP/Asia near East Bureau USAID
1300 Pennsylvania Ave. NW
Washington, D.C. 20523-4101
Phone: (202) 712-0270
Fax: (202) 216-3379
E-mail: jehagger@usaid.gov

XII. MARKET RESEARCH

Commercial Reports

Industry Sector Analysis (ISA)

Fiscal Year 2000

Title	Date
Toxic and Hazardous Waster Control Equipment/Service	3/29/00

International Market Insight (IMI)

Fiscal Year 2000

Title	Date
Aquatech & Environment Philippines 2000	6/13/00
Autostop Philippines 2000	6/21/00

Conference of the Electric Power Industry (CEPSI) 2000	6/27/00
Edutech 2000	6/22/00
Energy Market Brief	6/27/00
Financial Services: Philippine Private Insurance	6/27/00
Fort Bonifacio Development Corporation Hospital Project	6/29/00
Market of Opportunities for Franchise Services	6/29/00
Market of Opportunities for Healthcare Service	6/29/00
Market Opportunity Report: Philippine Retailing Service	6/27/00
Medical City Under Construction	6/29/00
Metro Kidapawan and Puerto Princesa City Water Projects	6/30/00
Opportunities in Davao Gulf	6/22/00
Opportunities in Soksargen (Southern Mindanao)	6/22/00
Opportunities in the Greater Northern Corridor	6/22/00
Opportunities in the Philippine Internet/E-Commerce	6/21/00
Opportunities in the Philippine Satellite Services	6/21/00
Pasig River Project	6/21/00
Philconstruct 2000	6/22/00
Philippine International Franchise Conference and Expo Franchising	6/30/00
Philippine Ports Package	6/21/00
Solid Waste Management Projects in the Philippines	6/21/00
Update on the Cosmetics Industry	6/27/00
Status of the Road and Bridge Projects Under the 23rd Yen Loan	6/30/00
The Philippine Market for Architectural Services	6/30/00
The Philippine Market for Engineering Services	6/30/00

* U.S. companies may contact U.S. Commercial Service Manila (Sec. XI: U.S. and Philippine Contacts) to get a copy of any commercial reports.

Agricultural Reports

1999 Reports

Title	Date
The IRR of the Agriculture and Fisheries Modernization Act of 1997	1/08/99
Copra and Products Update - January 1999	1/22/99
Quarterly Planning and Accomplishment Report	2/03/99
Grain and Feed Annual - 1999	2/06/99
Philippine Agriculture Contracts in 1998	2/18/99
Coconut Products Export - August 1998	2/22/99
Coconut Products Export - September 1998	2/22/99
Coconut Products Export - October 1998	2/23/99
Coconut Products Export - November 1998	2/23/99
Duty-Free Importation (Dairy, Livestock and Poultry)	2/25/99
Duty-Free Importation (Seafood)	2/25/99

Duty-Free Importation (Planting Seeds)	2/25/99
Philippine's Minimum Access Volume for Pork	2/23/99
Duty-Free Importation (Grain & Feed)	2/26/99
Duty-Free Importation (Oilseeds and Products)	2/26/99
Philippines Raises Guard Against Malaysian Pig/Pork Imports	3/31/99
Agricultural Trade Policy Monitoring Report	3/31/99
January - March 1999 Pork and Poultry MAV Update	
Great American Food Show 1999, Philippines	4/12/99
Philippines Quarterly Planning and Accomp. Report for January -March 1999	2/01/99
Philippines Annual Marketing Plan AMP Mid YR Review 1999	4/15/99
Philippines Sugar Annual 1999	4/12/99
Oilseeds and Products Annual - 1999	5/03/99
Philippines Liberalizes Rice Imports	5/04/99
Coffee Annual - 1999	5/14/99
Planting Seeds Annual - 1999	5/31/99
Tobacco Annual -1999	5/31/99
Cotton Annual - 1999	6/07/99
Coconut Products Export - December 1998	6/16/99
Forest Products Annual - 1999	6/29/99
1999 FMI/USFES Supermarket Industry Convention	6/30/99
Coconut Products Export - January 1999	6/30/99
Coconut Products Export - February 1999	6/3099
Third Quarter AMP Budget Quarterly Review	6/14/99
Coconut Products Export - March1999	7/21/99
Coconut Products Export - April 1999	7/21/99
Livestock Annual - 1999	7/27/99
Quarterly Report for Philippines	7/22/99
The Philippines is Set to Liberalize Retail Trade	7/28/99
GOP Reimposes Ban on Belgian Food Products	8/05/99
Poultry Annual -1999	8/13/99
U.S. Food Products Agent Show	
Coconut Products Export - May 1999	8/24/99
Field Testing of BT Corn Approved	8/27/99
Philippine Agriculture Recovers in First Half of 1999	8/27/99
Copra and Copra Products PSD Revision	8/30/99
Total Poultry Meat 1995 - 1997 PSD	9/02/99
Milled Rice PSD Update	9/03/99

AMP Final Review	9/14/99
Philippines to Purchase Feed Ingredients	9/16/99
Unified Export Strategy Report	9/16/99
Corn PSD Revision	9/23/99
Coconut Products Export - June 1999	9/23/99
Selling Price of Milled Rice Reduced	10/5/99
Quarterly Planning and Accomplishment Report July 1 - Sept. 30, 1999	10/6/99
Sugar Semi Annual	10/12/99
Buying Price of Paddy Rice Increased	10/18/99
Buyer Alert	10/19/99
Trade Leads	10/19/99
Dairy Annual	11/4/99
Coconut Products Export - July 1998	11/3/99
Importation of Fresh/Chilled/Frozen Fish	11/4/99
Coconut Products Export - August 1999	12/17/99
Coconut Products Export - September 1999	12/17/99
Quarterly P. & A. Report October1- December 31	12/27/99

* U.S. companies may contact Foreign Agricultural Service Manila or visit http://www.fas.usda.gov to get a copy of any agricultural reports.

XIII. TRADE EVENTS

Name of Event: 1st International Environment Exhibition (ENVIRONEX Philippines)
Environmental technology, solid waste management, noise abatement & air pollution control, recycling facilities, waste water treatment, aerial surveillance, environment-friendly products, cleaning systems, dredging & waste disposal facilities, flood control & drainage systems, among others
Date: October 2-5, 2000
Location: Philippine Trade Training Center
Organizer: ADSI, Inc.
2/F, NE Section Topy Main Building, #3 Economia St.
Bagumbayan, Libis, Quezon City
Phone: (632) 633-1452/2002/0155/6021
Fax: (632) 634-1702
Contact: Marie P. Atchada, VP/COO

Name of Event: Agrilink 2000
7th International Agribusiness Trade Exhibition & Conference
Date: October 19-21, 2000
Location: World Trade Center Metro Manila
Organizer: Foundation for Resource Linkage & Dev. Inc. (FLRD)
3/F Administration Bldg., FTI Complex
Taguig, Metro Manila

Phone: (632) 838-4852/4510/4863
Fax: (632) 838-4573
Contact: Antonio V. Roces, President

Name of Event: CEPSI 2000 Exhibition (Conference of the Electric Power Supply Industry)

Date: October 23-27, 2000
Location: Philippine International Convention Center (PICC)
Organizer: Asian Expo and Convention Management Group
Unit 1014 Medical Plaza Ortigas, 25 San Miguel Avenue
Ortigas Center, Pasig City
Phone: (632) 636-6933 to 35
Fax: (632) 633-9327
E-mail:cepsi@asianconventions.com
Contact: Marcel Ewals, Vice President
Remarks: Certified Trade Fair of the U.S Department of Commerce.
CS Manila will organize a catalog show.

Name of Event: Philtronics 2000
7th Philippine International Electronics Manufacturing
Technology Exhibition & Conference

Incorporating:
Componex Philippines 2000
Semiconductor Philippines 2000
PCB Assembly Philippines 2000
Date: October 25-27, 2000
Location: World Trade Center Metro Manila
Organizer: IIR Exhibitions Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
121 Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone: (632) 750-8588; 887-1304
Fax: (632) 750-8585; 887-1305
E-mail:abliirx@skyinet.net
Contact: Patrick Lawrence Tan, Director

Name of Event: Instrumentation & Controls Philippines 2000
3rd International Instrumentation, Controls, Measuring &
Testing and Analytical Technology Exhibition & Conference

Incorporating:
Pumps & Valves Philippines 2000
3rd International Pumps, Valves, Pipes & Filtration
Technology Exhibition Conference
Date: October 25-27, 2000
Location: World Trade Center Metro Manila

Organizer:	IIR Exhibitions Philippines Inc. Unit 1003, Antel 2000 Corporate Center 121 Valero St. cor. Herrera St., Salcedo Village Makati City Phone: (632) 750-8588; 887-1304 Fax: (632) 750-8585; 887-1305 E-mail:abliirx@skyinet.net Contact: Patrick Lawrence Tan, Director	

Name of Event:	Asia Multi-Media Show 200 1st Philippine International Show on Equipment, Products and Services for Broadcast Media, Video, Film and Theater
Date:	November 6-9, 2000
Location:	Edsa Shangri-la Hotel
Organizer:	World Exhibitions and Conventions, Inc. (WORLDEXCO) D431-433 Delegation Bldg. Philippine International Convention Center CCP Complex, Roxas Blvd., Manila Phone : (632) 834-2404; 832-0309 loc. 7151; (632) 531-3988 Fax : (632) 834-0602; 521-3096 E-mail:wdx@amanet.net Contact: Lynn Z. Romero, President

Name of Event:	11th Motorshow International Philippines The country's premier auto and cycle exhibition. Highlights latest car models, auto trends, parts and accessories.
Date:	November 8-12, 2000
Location:	World Trade Center Metro Manila
Organizer:	Philippine Exhibits and Themeparks Corporation (PETCO) Suite 359 Secretariat Bldg., PICC, CCP Complex Roxas Boulevard, Pasay City Phone: (632) 833-0381 to 85 Fax: (632) 832-5444 Contact: Marisa D. Nallana, President

Name of Event:	10th Philconstruct and Technology Forum 2000 10th Philippine International Construction Machineries & Building Materials Exhibition, and Technology Forum
Date:	November 16-19, 2000
Location:	World Trade Center Metro Manila
Organizer:	Convention & Exhibition Managers International Corporation (CONVEX) Unit 705 Annapolis Wilshire Plaza 11 Annapolis Street, Greenhills San Juan, Metro Manila Phone: (632) 726-8664/65; 726-4128 to 30

Fax: (632) 724-4578
E-mail:convex@mozcom.com; convex@csi.com.ph
Contact: Agnes Escalante, President

Remarks: U.S. Department of Commerce certified trade show. CS Manila will organize a catalog show.

Name of Event: World Congress on Photographic Trends, Techniques & Technologies
Date: November 16-19, 2000
Location: World Trade Center Metro Manila
Organizer: Convention & Exhibition Managers International Corporation (CONVEX)
Unit 705 Annapolis Wilshire Plaza
11 Annapolis Street, Greenhills
San Juan, Metro Manila
Phone: (632) 726-8664/65; 726-4128 to 30
Fax: (632) 724-4578
E-mail:convex@mozcom.com; convex@csi.com.ph
Contact: Agnes Escalante, President

Name of Event: Defense & Sporting Arms Show Part II
Date: November 29-December 3, 2000
Location: Philippine Trade Training Center
Organizer: Trade Show International, Inc.
Unit 124 Chateau Verde Condominium, Gate 2 Valle Verde 1
E. Rodriguez Jr. Ave., Pasig City
Phone: (632) 671-8381/8382/3122
Fax: (632) 671-8382
E-mail:info@tradeshow.com.ph
Website: www.tradeshow.com.ph
Contact: Sophia S. Delos Santos, President

Name of Event: Autostop Philippines 2000
Philippine International Automotive Aftermarket Parts & Accessories, Garage, Refinishing and Workshop Equipment & Tools Trade Exhibition

Incorporating:

Motorcycle Philippines 2000
Philippines International Motorcycle, Parts & Accessories Trade Exhibition
Date: November 30-December 3, 2000
Location: World Trade Center Metro Manila
Organizer: IIR Exhibitions Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
121 Valero St. cor. Herrera St., Salcedo Village

	Makati City
	Phone: (632) 750-8588; 887-1304
	Fax: (632) 750-8585; 887-1305
	E-mail:abliirx@skyinet.net
	Contact: Patrick Lawrence Tan, Director
Remarks:	CS Manila will organize a U.S. Pavilion.

Name of Event:	Philippine Agrifoodtech International Exhibition on Agricultural Machinery, Food Production, Processing and Packaging, Food Products, Supplies & Service)
Date:	March 2-4, 2001
Location:	Philippine International Convention Center
Organizer:	Strategic Network, Inc. Rm. 436 Delegation Bldg. Philippine International Convention Center CCP Complex, Roxas Blvd. Metro Manila Phone: (632) 891-6247; 891-8626 Fax: (632) 891-7658 Contact: Evelina V. Estrada, President

Name of Event:	Asia Publish The 1st International Exposition on Publishing Equipment, Machinery, Expertise and Technology
Date:	March 7-10, 2001
Location:	World Trade Center Metro Manila
Organizer:	Trade Information Marketing & Exhibitions, Inc. S-324, Secretariat Bldg., Philippine International Convention Center CCP Complex, Roxas Blvd., Pasay City 1307 Phone: (632) 834-0085 to 86/7116; 551-7920 loc. 7420 or 7422 Fax: (632) 831-3828 E-mail:time@skyinet.net Contact: Leonides A. Cuizon, President

Name of Event:	Quad E The 1st Electronic & Educational Entertainment Expo
Date:	March 7-10, 2001
Location:	World Trade Center Metro Manila
Organizer:	Trade Information Marketing and Exhibitions, Inc. S-324, Secretariat Bldg., Philippine International Convention Center, CCP
Complex	
	Roxas Blvd., Pasay City 1307 Phone: (632) 834-0085 to 86/7116; 551-7920 loc. 7420 or 7422 Fax: (632) 831-3828 E-mail:time@skyinet.net Contact: Leonides A. Cuizon, President

Name of Event:	Worldbex 2001 The 6th Philippine World Building and Construction Exposition
Date:	March 14-18, 2001
Location:	World Trade Center Metro Manila
Organizer:	Worlbex Services International 510 Boni Ext. corner San Joaquin St. Mandaluyong City Phone: (632) 531-6350/6374 Fax: (632) 533-2026 E-mail : worldbex@pacific.net.ph Contact: Joseph L. Ang, Chairman
Remarks:	CS Manila and U.S. Department of Commerce's Asia Pacific Team will organize a U.S. Pavilion.

Name of Event:	Cable Show 2001 9th Annual Philippine International Cable Television Convention and Exhibition (As Project Manager for the Philippine Cable Television Association, Inc., PCTA)
Date:	April 2001
Location:	To be announced
Organizer:	World Exhibitions and Conventions, Inc. (WORLDEXCO) D431-433 Delegation Bldg. Philippine International Convention Center CCP Complex, Roxas Blvd., Manila Phone : (632) 834-2404; 832-0309 loc. 7151; 531-3988 Fax : (632) 834-0602; 521-3096 E-mail:wdx@amanet.net Contact: Lynn Z. Romero, President

Name of Event:	7th International Aviation, Maritime and Defense Exhibition (AMD 2001) Aviation, maritime and defense-related products, technologies, systems & services
Date:	April 5-8, 2001
Location:	Philippine Trade Training Center
Organizer:	ADSI, Inc. 2/F, NE Section Topy Main Building, #3 Economia St. Bagumbayan, Libis, Quezon City Phone: (632) 633-1452/2002/0155/6021 Fax: (632) 634-1702 Contact: Marie P. Atchada, VP/COO

Name of Event:	Asia Medica 2001 The Fourth International Exposition on Analytical Laboratory, Dental, Optical and Medical Equipment and Technology

Date: May 30-June 2, 2001
Location: Philippine International Convention Center
Organizer: Trade Information Marketing & Exhibitions, Inc.
S-324, Secretariat Bldg., Philippine International Convention Center
CCP Complex, Roxas Blvd., Pasay City 1307
Phone: (632) 834-0085 to 86/7116; 551-7920 loc. 7420 or 7422
Fax: (632) 831-3828
E-mail:time@skyinet.net
Contact: Leonides A. Cuizon, President
Remarks: CS Manila will organize a U.S. Pavilion.

Name of Event: Build Expo 2001
(The 4th Philippine International Building & Construction
Equipment, Building Materials, Interiors & Landscaping Exhibitions)

Incorporating:
I.T. Computer Exhibition for the Construction Industry
Automation & Security

11th Real Estate & Housing Exhibition
Incorporating:

Homestyle 2001
Date: July 5-8, 2001
Location: Philippine International Convention Center
Organizer: Strategic Network, Inc.
Rm. 436 Delegation Bldg.
Philippine International Convention Center
CCP Complex, Roxas Blvd.
Metro Manila
Phone: (632) 891-6247; 891-8626
Fax: (632) 891-7658
Contact: Evelina V. Estrada, President

Name of Event: Asia Food Expo
The Tenth International Exposition on Food Processing,
Packaging and Handling Machinery, Equipment and
Technology
Date: September 5-8, 2001
Location: World Trade Center Metro Manila
Organizer: Trade Information Marketing & Exhibitions, Inc.
S-324, Secretariat Bldg., Philippine International Convention Center
CCP Complex, Roxas Blvd., Pasay City 1307
Phone: (632) 834-0085 to 86/7116; 551-7920 loc. 7420 or 7422
Fax: (632) 831-3828
E-mail:time@skyinet.net
Contact: Leonides A. Cuizon, President

Name of Event: Food & Drinks Asia 2001
The Fifth International Exposition on Specialty Foods, Delicatessen, Confectionery, Beverages, Beers, Wines & Spirits
Date: September 5-8, 2001
Location: World Trade Center Metro Manila
Organizer: Trade Information Marketing & Exhibitions, Inc.
S-324, Secretariat Bldg., Philippine International Convention Center
CCP Complex, Roxas Blvd., Pasay City 1307
Phone: (632) 834-0085 to 86/7116; 551-7920 loc. 7420 or 7422
Fax: (632) 831-3828
E-mail:time@skyinet.net
Contact: Leonides A. Cuizon, President

Name of Event: Food Franchising
The Fifth International Food Franchising and Business Systems Exposition
Date: September 5-8, 2001
Location: World Trade Center Metro Manila
Organizer: Trade Information Marketing & Exhibitions, Inc.
S-324, Secretariat Bldg., Philippine International Convention Center
CCP Complex, Roxas Blvd., Pasay City 1307
Phone: (632) 834-0085 to 86/7116; 551-7920 loc. 7420 or 7422
Fax: (632) 831-3828
E-mail:time@skyinet.net
Contact: Leonides A. Cuizon, President

Name of Event: Control Asia 2001
The Sixth International Exposition on Process Control, Instrumentation, Scientific & Laboratory, Equipment & Technology
Date: September 12-15, 2001
Location: Philippine International Convention Center
Organizer: Trade Information Marketing & Exhibitions, Inc.
S-324, Secretariat Bldg., Philippine International Convention Center
CCP Complex, Roxas Blvd., Pasay City 1307
Phone: (632) 834-0085 to 86/7116; 551-7920 loc. 7420 or 7422
Fax: (632) 831-3828
E-mail:time@skyinet.net
Contact: Leonides A. Cuizon, President

Name of Event: Pumps & Valves Asia
The First International Exposition on Pumps and Valves, Fittings and Tubings, Piping Systems, Components and Technology
Date: September 12-15, 2001

Location: Philippine International Convention Center
Organizer: Trade Information Marketing & Exhibitions, Inc.
S-324, Secretariat Bldg., Philippine International Convention Center
CCP Complex, Roxas Blvd., Pasay City 1307
Phone: (632) 834-0085 to 86/7116; 551-7920 loc. 7420 or 7422
Fax: (632) 831-3828
E-mail:time@skyinet.net
Contact: Leonides A. Cuizon, President

Name of Event: Hydraulics & Pneumatic Asia
The First Inernational Exposition on Hydraulic and
Pneumatic Systems, Components and Technology
Date: September 12-15, 2001
Location: Philippine International Convention Center
Organizer: Trade Information Marketing & Exhibitions, Inc.
S-324, Secretariat Bldg., Philippine International Convention Center
CCP Complex, Roxas Blvd., Pasay City 1307
Phone: (632) 834-0085 to 86/7116; 551-7920 loc. 7420 or 7422
Fax: (632) 831-3828
E-mail:time@skyinet.net
Contact: Leonides A. Cuizon, President

Name of Event: Packaging Philippines 2001
6th International Packaging and Food Processing Machinery
Equipment, Materials and Technology Exhibition
Date: September 19-22, 2001
Location: World Trade Center Metro Manila
Organizer: IIR Exhibitions Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
121 Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone: (632) 750-8588; 887-1304
Fax: (632) 750-8585; 887-1305
E-mail:abliirx@skyinet.net
Contact: Patrick Lawrence Tan, Director

Name of Event: 1st International Multi-Media Art Fair
Date: September 19-23, 2001
Location: SM Megamall
Organizer: Trade Show International, Inc.
Unit 124 Chateau Verde Condominium
Gate 2 Valle Verde 1
E. Rodriguez Jr. Ave., Pasig City
Phone: (632) 671-8381/8382/3122
Fax: (632) 671-8382
E-mail:info@tradeshow.com.ph
Website: www.tradeshow.com.ph

Contact: Sophia S. Delos Santos, President

Name of Event: Phil Print 2001
4th International Printing Machinery, Paper & Graphic Arts Equipment, Materials and Technology Exhibition
Date: September 19-22, 2001
Location: World Trade Center Metro Manila
Organizer: IIR Exhibitions Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
121 Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone: (632) 750-8588; 887-1304
Fax: (632) 750-8585; 887-1305
E-mail:abliirx@skyinet.net
Contact: Patrick Lawrence Tan, Director

Name of Event: Plastics Philippines 2001
6th International Plastics Machinery, Technology, Materials & Services Exhibition
Date: September 19-22, 2001
Location: World Trade Center Metro Manila
Organizer: IIR Exhibitions Philippines Inc.
Unit 1003, Antel 2000 Corporate Center
121 Valero St. cor. Herrera St., Salcedo Village
Makati City
Phone: (632) 750-8588; 887-1304
Fax: (632) 750-8585; 887-1305
E-mail:abliirx@skyinet.net
Contact: Patrick Lawrence Tan, Director

Name of Event: Hotelex 2001
10th International Trade Exhibit on Hotel and Restaurant Equipment, Supplies, Services, Food and Beverage
Simultaneously with
Chefs on Parade 2001
Annual Culinary Competition organized by the Hotel and Restaurant Association of the Philippines (HRAP)
Date: September 20-22, 2001
Location: World Trade Center Metro Manila
Organizer: World Exhibitions and Conventions, Inc. (WORLDEXCO)
D431-433 Delegation Bldg.
Philippine International Convention Center
CCP Complex, Roxas Blvd., Manila
Phone: (632) 834-2404; 832-0309 loc. 7151; 531-3988
Fax: (632) 834-0602; 521-3096
E-mail:wdx@amanet.net

	Contact: Lynn Z. Romero, President
Name of Event:	Metalworking & Tools Philippines 2001 6th International Machine Tools, Metalworking & Allied Industries Exhibition Held in conjunction with: Welding Philippines 2001 Industrial Automation Philippines 2001
Date:	November 22-25, 2001
Location:	World Trade Center Metro Manila
Organizer:	IIR Exhibitions Philippines Inc. Unit 1003, Antel 2000 Corporate Center 121 Valero St. cor. Herrera St., Salcedo Village Makati City Phone: (632) 750-8588; 887-1304 Fax: (632) 750-8585; 887-1305 E-mail:abliirx@skyinet.net Contact: Patrick Lawrence Tan, Director

Note: Firms should contact Post commercial section for the latest information or to arrange individual trade programs.