U.S. COMMERCIAL SERVICE
United States of America Department of Commerce

U.S. Country Commercial Guides

The Philippines

2020

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Doing Business in the Philippines

Market Overview

The Philippines is the thirteenth largest country in the world by population (more than 109 million) and is the sixth largest English-speaking country. It also has one of the youngest populations in the world, with about 43 percent of the population under the age of 20. Approximately 90% of Filipinos are functionally literate. Relatively high population growth (nearly two percent annually) will continue to help drive economic growth for the next several years, while also increasing the strain on social spending and the country's infrastructure.

- Before the COVID-19 crisis, the Philippine gross domestic product (GDP) consecutively documented 6%+ growth since 2012 – making the country one of the fastest growing economies in the world. The Philippines was also on track to graduate to an upper-middle income status by 2020 with $3,830 per capita income as of latest 2018 World Bank data, close to the $3,956 threshold. Consumer spending -- supported by remittances from more than ten million Filipino migrants and overseas workers -- anchors economic growth (up 5.9 percent in 2019) as it comprises more than two-thirds of the economy at over $33.5 billion in 2019.
- In the first quarter of 2020, GDP contracted by 0.2 percent in an early sign of fallout from more than two months of COVID-related lockdown. While the Enhanced Community Quarantine (ECQ) ended for the Metro Manila Region in early June, a General Community Quarantine (GCQ) with restrictions still continues as of July 15. Public Transportation and business operations have not fully resumed, and with infection rates increasing, the government expects continued negative economic impact for the rest of the year. The two decade growth streak will slow down, and is expected to result in negative 3.4% GDP growth for 2020. Some say that this figure may also be too optimistic, and that the Philippines will have a harder time recovering in comparsion to ASEAN neighbors. However, others remain positive, citing continued confidence from multilateral lenders and credit rating agencies, and strong macroeconomic fundamentals (characterized by healthy fiscal position and high international reserves), that could enable the economy to bounce back in 2021.
- Consumer price inflation averaged 2.5 percent in 2019, well-within the government's two to four percent target for 2019 to 2020 and down from a 5.2 percent spike in 2018. Softer food prices (2.1 percent in 2019 from 6.8 percent in 2018), supported by the downward trend in rice prices because of a 2019 law liberalizing the rice market (Rice Tariffication Law), limited upward pressures on inflation. The central bank sees the inflation rate settling at the low-end of their target range in 2020, as the pandemic is expected to weigh down both domestic and global demand. Lower international oil prices also support the subdued inflation environment.
- For January to May 2020, the inflation rate averaged lower at 2.5 percent from 3.5 percent in the same period in 2019. The favorable inflation dynamics gave the central bank enough leeway to ease policy interest rates to support the economy amid the ravages of the COVID-19 pandemic. Since May 2019, the central bank has cut rates by a total of 200 basis points, unwinding the 175 basis points rates hike in 2018 and bringing overnight repurchase rate to a record low 2.75 percent. The central bank also gradually slashed commercial banks' reserve requirements ratio to 12 percent from 18 percent in June 2018, while promising to trim it further to 10 percent before the end of 2020.

The balance of payments reversed to a $7.8 billion surplus (2.2 percent of GDP) in 2019 from a $2.3 billion in deficit the previous year. The turnaround resulted from a remarkably lower current account deficit, from 2.7 ($8.8 billion) percent in 2018 to 0.1 percent of GDP ($464 million) in 2019, due to a narrower trade gap and higher net receipts in the trade in services and primary and secondary income accounts. The current account deficit in the past four years, which came after 13 years of surpluses prior to 2016, had been largely driven by high imports of construction materials and equipment for the government's BBB (Build Build Build) infrastructure program. The Merchandise trade gap decreased by 8.8 percent in 2019, as imports fell 3.0 percent while exports rose 2.7 percent. Exports of services, consisting mainly of business process outsourcing (BPO) revenues, grew by 12.4 percent ($13 billion); while the primary and secondary income accounts benefitted from continuing remittance inflows and lower payments to foreign direct investors. Meanwhile, the capital account surplus increased by 7.5 percent to $70 million in 2019 from $65 million in 2018. The financial account recorded lower net inflows of $6.3 billion from $9.3 billion the previous year as decreases in foreign direct investments (down 23.1 percent to $7.6 billion) and other investment account inflows (attributed mainly to higher net lending by local banks to non-residents and higher national government loans from non-residents) offset the 69.3 percent increase in net foreign portfolio investments ($5.6 billion). The Philippine stock market ended 2019 higher by 4.7 percent, reflecting a rebound in investor sentiments amid falling inflation and interest rates and resilient economic growth. However, the Philippine stock exchange (PSEi) index suffered a deep 31.9 percent drop in the first quarter of 2020 compared to end-2019 level as pandemic worries led to a massive sell-off in stocks.

- Net foreign direct investment (FDI) inflow, which started strong in the first few years of the Duterte Administration reversed its uptrend in 2018 and decreased by 23 percent year-on-year to $7.6 billion in 2019. The Philippines lags behind is similarly sized and ranked ASEAN neighbors in attracting FDI. The United States -- with an estimated $7.6 billion (FDI stock) in 2018, a 7.4 percent increase from 2017-- ranks among the Philippines' top investors. The Philippines slipped in terms of global competitiveness after successively registering overall improvements in various competitiveness rankings over the past seven to eight years, with inadequate physical and digital infrastructure the main drivers for the decline. Investors also repeatedly cite government red tape, regulatory uncertainties, a slow judicial system, and corruption as challenges to doing business in the country.
- The Philippine Central Bank's gross international reserves (GIR) stood at $87.8 billion as of end-December 2019, up significantly from a seven-year low $79.2 in reserves a year ago. GIR continued to increase to an all-time high $90.9 billion as of April 2020. The GIR level represents an ample external liquidity buffer, equivalent to 8.0 months' worth of imports of goods and services and payments of primary income and about 5.5. times the country's external debt based on original maturity and four times based on residual maturity.

The national government recorded a 3.55 percent fiscal deficit-to-GDP ratio in 2019, overshooting the 3.25 percent ceiling and increasing from 3.2 percent in 2018. Public expenditures rose by 11.4 percent and exceeded the target by about one percent in 2019, as agencies caught up on budget disbursements towards the end of the year. Infrastructure disbursements expanded by 9.7 percent and surpassed programmed expenditures by 2.6 percent in 2019, bolstered by December outlays for big-ticket road and bridge projects, railways construction and rehabilitation, and military modernization. Meanwhile, government revenues grew by 10.1 percent in 2019, but still short from target collections. Nevertheless, higher tax receipts (up 10.2 percent in 2019) boosted tax collection efforts to a 22-year high of 16.9 percent in 2019. Higher collections from Tax Reform for Acceleration and Inclusion Act (TRAIN) (up 8 percent from target in 2018; up 18.2 percent in Jan-Sep 2019), the first package under the Duterte administration's Comprehensive Tax Reform Program (CTRP), helped the government source the needed funding for higher 2020 program expenditures, which have been redirected to COVID-19 pandemic response and recovery measures. The increases in sin taxes on tobacco products, alcohol, vapes, and e-cigarettes effective January 2020 are expected to beef up government coffers to help fund a universal healthcare law signed in 2019. For fiscal year 2020, the fiscal deficit is expected to jump to 8.1 percent of GDP as the COVID-19 pandemic depresses tax collections, while disbursements for COVID measures rise. This could bring the Philippines' debt-to-GDP ratio to about 50 percent in 2020 from a low of 39.6 percent recorded the previous year. As part of pandemic stimulus measures, the Duterte administration is ushering the passage of the second CTRP package Corporate Recovery and Tax Incentives for Enterprises Act (CREATE), which seeks to accelerate corporate tax cut to 25 percent from one of Asia's highest 30 percent rates in exchange for rationalization of fiscal incentives. The proposal is the first-ever tax-eroding CTRP measure, expected to result in $840 million in forgone revenues in 2020 and $12.5 billion in the next five years.

- Credit rating agencies Moody's, Standard & Poor's (S&P), and Fitch Ratings affirmed the Philippines' investment grade ratings in May 2020, while Japan Credit Rating Agency (JCR) upgraded its rating to target "A-" reflecting the country's resilient medium-term growth prospects and strong macroeconomic fundamentals despite the pandemic's economic damages. S&P has assigned a "BBB+" credit rating since April 2019, which is two notches above the minimum investment grade or just below the government's target "A" scale. Fitch and Moody's, meanwhile, pegged the country's credit ratings two steps away from the target threshold. Debt watchers have warned a downgrade is possible if the Philippines suffers a worse and prolonged economic downturn as well as a deterioration in its fiscal position.
- The unemployment rate fell to 5.1 percent in 2019 from 5.3 percent in 2018, translating to 2.3 million jobless Filipinos in 2019. This result was near the upper end of the 4.3 to 5.3 percent target in the Philippine Development Plan 2017-2022. The labor force participation rate was up 0.4 points to 61.3 percent while the underemployment rate was down 2.4 points to 14.0 percent, indicating increased jobs generation during the year amid sustained economic expansion. The government estimates net jobs created in 2019 at 1.3 million. Unemployment is expected to increase in 2020 as the government estimates 4 million job losses due to the impact of the global pandemic. Poverty incidence declined to 16.6 percent in 2018 from 23.3 percent in the previous 2015 survey and studies suggest the middle class is expanding. Although gradually improving, the high level of inequality nevertheless remains a challenge; the incidence of poverty varies significantly across regions. Additionally, the expected economic contraction in 2020 could delay the government's goal to bring down poverty further to 14 percent by the end of President Duterte's term in 2022.
- The political situation in the Philippines is stable. Elected in 2016 for a six-year term, President Duterte sustains high approval ratings. He has cracked down on crime and illegal drugs, though his anti-drug campaign has drawn criticism from the international community and human rights groups. Economic stability and business activity have continued largely unabated.
- The Duterte administration is attempting to end one of the longest running and most debilitating militant insurgencies in Southeast Asia. Despite the liberation of Marawi City – a regional hub of 200,000 people in the southern island of Mindanao – from a five-month terrorist siege in October 2017, terrorism remains a threat. The entire island region of Mindanao was placed under martial law from 2017 until the end 2019, when it was allowed to expire. Although there has been progress in implementing the 2014 peace agreement between the government and the Moro Islamic Liberation Front, with the government providing greater political and economic autonomy for Muslim Mindanao, there remain significant challenges to peace and security.
- U.S.-Philippines bilateral trade has grown by almost 40 percent since 2010, amounting to US$21.6 billion in 2019. In 2019, the Philippines ranked as the 33nd largest export destination for U.S. products and the 29th largest source of U.S. merchandise imports. The U.S. trade deficit with the Philippines was at US$4.2 billion in 2019.
- The United States was the Philippines' fourth largest country supplier in 2019, with a 7.2% share of the country's imports. The top three import sources of the Philippines are China, with a 22.8% import share; Japan, 9.5%; and South Korea, 7.6%. The United States was the Philippines' largest export market, with 8.9% percent of total value in 2019.

Market Challenges

The top five challenges that U.S. companies experience in the Philippines are:

- Graft and Corruption: Corruption, a constraint to trade and investment, is a pervasive and long-standing challenge in the Philippines. Although the Philippine Government has made major strides in fighting graft and corruption, these were not enough as shown in the Philippines' ranking in Transparency International's Corruption Perceptions Index. From 85 in 2014, 95 in 2015, 101 in 2016, 111 in 2017, 99 in 2018, the Philippines' ranking was down to 113 out of 180 countries in 2019.

- Regulatory System: Product registration, product standards, and environmental and labeling requirements place restrictions on certain products. In addition, some products require special licenses and permits prior to shipment. U.S. exporters may visit the Philippine National Trade Repository website (www.pntr.gov.ph) for the list of Regulated Import Commodities and required licenses and permits. See Customs, Regulations and Standards for additional information.
- Infrastructure: The Philippines lags many of its neighbors in infrastructure development. Under capacity in international airports across the country presents a significant impediment to development and tourism. Urban and port congestion are regularly raised as constraints to business. In addition, the country ranks as one of the lowest in the region for internet penetration, connectivity, and speed, but costs are comparable to the American market. Cyber security remains a concern.
- Philippine Government Procurement: There are procurement opportunities in the Philippine Government, but a local partner is generally required. The law on government procurement (Republic Act No. 9184) calls for the lowest calculated and responsive bid and, has cumbersome bueaucratic procedures and significant paperwork requirements. See Selling to the Public Sector for more information.
- Highly Price-Sensitive Market: U.S. products are generally known for high quality, but are also more expensive. U.S. exporters should not expect to apply their U.S. pricing strategy in this market. Distributors and customers will request payment terms.

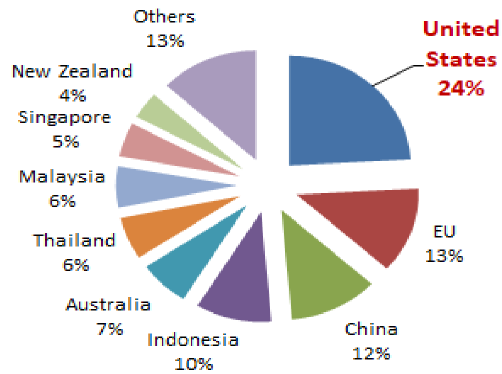
Market Opportunities

- Best prospects for U.S. companies in the Philippines include the transportation infrastructure, defense, and information and communication technology (ICT) sectors. Strong subsectors include Healthcare, Energy, and Franchizing.
- The Philippines will spend about $4.4 billion on digital infrastructure over the next six years. Priority sub-sectors include cybersecurity, the cloud, and telecommunications.
- The Armed Forces of the Philippines is undertaking a 15-year modernization program that started in 2012, and will continue through 2027. The total cost of the 15-year program is projected to be over $40 billion. Opportunities exist for sales in aircraft, ships, unmanned vehicles, intelligence and surveillance systems, communications, personal protective equipment, and weapon systems.
- Through the Administration's "Build, Build, Build" Initiative, $180 billion will be spent on projects including airports, ports, bridges, roads, and rail infrastructure. Opportunities exist for U.S. firms to compete on projects tenders through the Government Appropriations Act (GAA). Japanese tied-aid projects cover a large portion of this initiative, but U.S. firms can work on these projects as a sub-contractor or supplier through the main Japanese contractor. Furthermore, firms may also elect to participate in PPP (Public-private partnership) projects.

Market Entry Strategy

Agents and distributors are commonly used in the Philippines and are essential for most U.S. companies. See "Selling U.S. Products & Services" section for more information on using agents and distributors.

Government procurement requires a foreign firm to have a local partner, with certain exceptions. See Section 23.4 - Eligibility Criteria for Procurement of Goods and Infrastructure Projects, Section 24.3 - Eligibility Criteria for Procurement of Consulting Services and Appendix 9 - Guidelines in the Determination of Foreign Suppliers, Contractors and Consultants to Participate in Government Procurement Projects of the Revised Implementing Rules and Regulations of Republic Act No. 9184 or The Government Procurement Reform Act



(https://www.gppb.gov.ph/assets/pdfs/Updated%202016%20Revised%20IRR%20with%20Table%20of%20Contents.pdf)

Most agents and distributors are based in Metro Manila. They cover areas outside Metro Manila or have branches or dealers in major cities such as Cebu City, Davao City and Cagayan de Oro City.

U.S. companies should visit their agents and distributors to strengthen relationships and assess the local companies' abilities. If possible, they should also visit existing and potential clients with their agents and distributors to promote their product lines and/or better understand client requirements. Many U.S. firms are often quick to make termination decisions with local partners, citing lackluster performance. However, it takes considerable time to build relationships and business in the Philippines and such decisions are not advised. In fact, considering the small business community, U.S. firms should exercise caution in managing such relationships with local partners as finding a new one would prove to be challenging if negative feedback about the U.S. firms makes its way through the community.

U.S. companies should be patient yet diligent in pursuing contracts, particularly projects with the Philippine Government.

U.S. firms seeking agents or distributors in the Philippines are encouraged to use the services of the U.S. Commercial Service Philippines (CS Philippines). For more information, visit http://export.gov/philippines/ and click "Services for U.S. Companies." U.S. firms may also contact CS Philippines (http://export.gov/philippines/contactus/index.asp) or a local U.S. Export Assistance Center (http://export.gov/usoffices/index.asp), or send an email to businessphilippines@trade.gov.

Leading Sectors for U.S. Exports and Investment

Agricultural Sector

This is a best prospect industry sector. The section below includes a market overview and trade data.

OVERVIEW

The United States continues to be the Philippines' largest supplier of agricultural products with a twenty-four percent market share. In 2019, the Philippines ranked as the ninth largest market in the world for total U.S. agricultural products with export sales amounting to $2.89 billion, almost the same level as the previous year. The top five exports of U.S. agricultural products in 2019 by value were soybeans & soybean meal (US$841 million); wheat (US$700 million); dairy products (US$273 million); meat products (US$196 million); and prepared food (US$111 million).

Growth of Consumer-Oriented Food & Beverage Products

The Philippines continues to be the largest market in Southeast Asia for U.S. consumer-oriented food & beverage products, a sub-sector of total agricultural products. Export sales in 2019 reached $1.1 billion. Consumer-oriented food and beverage products remain the best prospects for future export growth fueled by consumer familiarity with American brands.

Leading Sub-Sectors

Food Retail Sector

Sales of the Philippine food retail sector in 2019 amounted to roughly $50 billion, with modern retail accounting for half the total. Retailers with strong digital presence are likely to fare better in 2020 as consumers move towards e-commerce since the start of the COVID-19 outbreak.

Food Service Sector

Primarily driven by the expansion of shopping malls and commercial centers nationwide, Philippine food service sector sales rose to $15 billion in 2019. Western-style chains have deep penetration across the urban areas of the Philippines. Dining out is an important aspect of Filipino family bonding and celebrations, but heavily affected by COVID-19. With consumers shifting away from restaurants to cooking food at home, traders estimate about 70 percent of the food service sales ($10 billion) will go to the food retail sector by the end of 2020.

Food Processing Sector

The Philippine food processing sector's gross value-added output reached $35.8 billion in 2019, up 39 percent over the past five years. Roughly 90 percent of the country's processed food products are consumed domestically.

Web Resources: USDA-FAS Manila publishes market and commodity reports available through the Global Agricultural Information Network (GAIN) at https://gain.fas.usda.gov/ including:

- Exporter Guide
- Food and Agricultural Import Regulations and Standards (FAIRS)
- Philippines: Food Service Sector
- Philippines: Retail Sector
- Philippines: Food Processing Sector

Further Information and Assistance:

USDA-FAS Manila is ready to help exporters of U.S. food and beverage products achieve their objectives in the Philippines. For further information or assistance, please contact us at AgManila@usda.gov.

Philippine Market: Quick Facts CY 2019

Population Highlights:
Population: 109 M (July 2020 est.); 1.6% annual growth
Urban population: 2% annual growth, set to overtake rural population in 2028 (currently 47% urbanized)
96% literacy rate; 76% speak English

Agricultural & Related Trade:
Exports: $7.4 billion Imports: $13.5 billion

Imports of Consumer-Oriented Products: $6.4 billion

- Food preparations	- Candy & confectionery
- Beef	- Apples
- Dairy products	- Poultry
- Coffee	- Sauces, condiments & seasonings
- Pork	- Frozen potatoes

Top Fast Food Chains

- Jollibee	- Chowking
- McDonald's	- Shakey's
- Mang Inasal	- KFC

Top 5 Supermarkets	**Top 5 Convenience Stores**
- SM Markets	- 7-Eleven
- Puregold Price Club	- Mercury Drug
- Robinsons Supermarket	- Ministop
- Rustan's Supermarket	- Alfamart
- Metro Supermarket	- All Day

Traditional Retail: more than 42,000 public markets and 1.3 million micro retail stores nationwide

Sources: Euromonitor, Global Agricultural Trade System, International Monetary Fund, The World Factbook, Trade Data Monitor, USDA-FAS Manila research

Transport Infrastructure

Overview:

The Philippines lags many of its neighbors in infrastructure development, being notorious for challenging traffic conditions and long commutes. Overcapacity in international airports across the country present a significant impediment to development and tourism. Port congestion is regularly raised as a constraint to economic growth. The need is great and there are opportunities in the transport infrastructure sector, if properly leveraged, that could be business opportunities for U.S. firms.

In 2017, the Duterte Administration launched the ambitious $180 billion "Build, Build, Build" (BBB) Program to address the nation's mounting infrastructure challenges. The initiative initially designated 75 projects valued at $48 billion as flagship projects. These included big-ticket rail, airport, road, and bridge projects across the nation. The Government favored designating most projects to tied aid loans because they are offered at concessional rates with long repayment period. Japan and China emerged as leaders in this area, quickly claiming the big-ticket rail projects.

Despite the interest that the flagship projects under the BBB Program attracted, a July 2019 review indicated that only two projects had been completed, and that only 21 projects were expected to be completed by 2022. Concerned, the government decided to overhaul the original list of projects, removed projects no longer deemed realistic, added other projects, including public-private partnership (PPP) projects.

The revised list of flagship projects now includes 100 projects valued at about $84 billion. There are 73 transport and mobility projects in the list, almost half of which are road, highway, expressway, or bridge projects. Other projects in this category are rail, airport, bus rapid transit, subway and port projects. The revised list of flagship projects can be found in http://www.neda.gov.ph/wp-content/uploads/2020/03/Revised-List-of-Infrastructure-Flagship-Projects-as-of-2.17.2020.pdf.

Out of the 73 transport and mobility projects, 32 will be funded by development aid, with only 16 to be financed through government funds. There are 25 PPP projects, 15 of which are unsolicited proposals. It should be noted that there are unsolicited PPP proposals, especially on airport projects, that are being reviewed and revised by the project proponents in view of the effects of the COVID pandemic.

Given the tedious procurement procedures of the Philippine Government, firms have tended to prefer pursuing big-ticket projects financed by the Japanese, as such projects ensure completion and payment. Procurement for projects funded through official development assistance is conducted according to the rules of the donor nation, and after the main contractor is selected, this contractor can partner with firms regardless of national origin. U.S. firms have served as sub consultants/contractors/suppliers of Japanese-funded projects in the past, completing projects valued in the millions.

PPP projects have been of interest, but the separation of the Build and Operate portions of infrastructure projects has presented concerns for U.S. firms not wishing to be responsible for operating or managing projects that they did not build. Furthermore, unsolicited PPP projects have also proven to be challenging as original project proponents can spend millions developing a project proposal with no guarantee that they will be awarded the project in the end since there is a mandatory Swiss Challenge,. U.S. firms have built relationships with the expected winners of such big-ticket unsolicited airport projects. However, as these firms are only the expected "winners," U.S. firms have been hesitant to seal business relationships until there is full confirmation. Due to the pandemic, the Government has emphasized a preference to shift projects to PPP models. That being said, the private sector is struggling to survive and may not be as interested in developing and funding projects where the risk allocation between the firm and the Government is so lopsided. ODA is also expected to dry up as the nation emerges to middle-income status, and there will be a need for other sources of financing for the many projects that are needed and being conceptualized.

Firms are encouraged to first identify sub-sectors or projects of interest to determine how to engage and assess risk.

Leading Sub-Sector:

Rail - Among the projects that initially garnered high U.S. interest in the flagship list include the $3 billion North-South Commuter Railway Project (Philippine National Railway (PNR) North 1), the $12 billion North-South Commuter Railway Extension (PNR) North 2 Project, and the $7 billion Metro Manila Subway Project Phase 1. The rail and subway projects are being funded by Japan, while the Asian Development Bank (ADB) is funding the civil works of a portion of the North-South Commuter Railway project. U.S. firms cannot be the main contractor on record, but the project size still allows for reasonable subcontracting, supplying, and consulting opportunities.

Airport- There are three major airport projects pending. While they are unlikely to move forward in the next year, these airports are needed additions to the infrastructure of Metro Manila. There will be opportunities for U.S. firms in many areas of airport construction and management when these projects are given the go signal to proceed.

Market Opportunities

A range of products and services are needed for the completion of the infrastructure projects, including building products, construction equipment, electrical and mechanical equipment, and IT-related systems.

U.S. firms interested in projects can participate by:

Participating directly in a Philippine Government project tender.

- Serving as a subconsultant/contractor/supplier for a project funded by Japan, Korea, or any other nation that allows for foreign participation.
- Developing and submitting an unsolicited proposal to the local or national government.
- Working as a subcontractor/consultant/supplier for a project proponent of a solicited or unsolicited proposal.
- Competing for an Asian Development Bank (ADB) project focused on the Philippines.
- Partnering with a local firm to do any of the above.

Resources

Philconstruct (trade show; https://www.philconstructevents.com/)
National Economic and Development Authority (http://www.neda.gov.ph/)
Department of Public Works and Highways (https://www.dpwh.gov.ph/dpwh/)
Department of Transportation (http://www.dotr.gov.ph/)
Public-Private Partnership Center (https://ppp.gov.ph/)

Bebe Montesines
U.S. Commercial Service, U.S. Embassy
Email: Bebe.Montesines@trade.gov

For projects funded by the Asian Development Bank (ADB)

Mark O'Grady
U.S. Commercial Service Liaison to ADB
Email: Mark.OGrady@trade.gov

Information Communications Technology

OVERVIEW

Economic and population growth further signal the dire need to invest more in modernizing digital infrastructure, which has only been accelerated by the pandemic.

Speedtest Global Index documents Philippine mobile internet speed at 14.24 Mbps (global average 30 Mbps) and fixed broadband speed at 23.80 Mbps (global average 74.64 Mbps). For many years, internet speed in the Philippines ranked lower than Syria, and was the slowest in Asia. Cellular coverage is spotty at best, due to a long lasting duopoly between two major players that have not encouraged investment in the sector. The nation of 109 million people and 7,000 islands only has 20,000 towers. Regulatory change is expected to allow for a third player and for common towers, but the vested interests have close relationships with the Government in order to craft policies to their advantage.

Government processes are papercentric, requiring the submission of physical documents even after taxes or other paperwork is filed online. That being said, digitization efforts had been called for and should progress due to the pandemic. However, the Government will need funding and masterplanning assistance to set standards and implementation procedures for ICT solutions. The Department of Information and Communication Technology was formed in 2016, but has been unable to set nation wide standards or lead on policy issues due to a variety of causes including frequent staff turnover.

Recognizing the challenges and realities above, the Duterte Administration's goal is to embark on a digital transformation program to innovate government agencies. Immediate priorities include a cloud data center, software development for business process improvement, the conversion of local government units into smart cities, cybersecurity solutions for data privacy protection, and improving the internet and mobile services landscape through a national broadband plan.

The Philippines' growing middle class and the young population are also important drivers of IT demand because their spending levels on technology products are on an upward trajectory, benefitting premium brands. Infrastructure investments in the Philippines are another source of opportunity. The road, railway, airport, bridge, and port systems built will require, at a minimum, design software, building information modeling (BIM) for better project management, and file-sharing applications. These will drive demand for hardware, software, and services.

The Philippine Government, the business process outsourcing (BPO) industry, the financial sector, health, education, and the telecommunications industry are key vertical markets for IT. The Philippine Government showed its strong support for the industry by establishing its own Department of Information and Communications Technology (DICT) in 2016. Details on the DICT's projects are listed under "Market Opportunities."

Leading sub-sectors

There are four leading sub-sectors with commercial opportunities for U.S. companies:

Cybersecurity

Having a robust social media savvy population with few data protection mechanisms makes the Philippines extremely vulnerable to cyber-attacks and incidents. In 2019, one study placed the Philippines as the 5th country most likely to be attacked, following Algeria, Nepal, Albania, and Djibouti. In 2016, local firm Comelec suffered the biggest data leak in Philippine history, the data for 70 million voters. While e-payment apps and fintech solutions are embraced, security mechanisms lag, leaving vulnerable assets unprotected. In 2019, Microsoft documented that the Philippines could incur economic losses of $3.5 billion due to cybersecurity threats. The Government issued a Data Privacy Act of 2012, setting data protection standards, and recommending all entities to hire a Data Privacy Officer. However, there is limited enforcement.

Market Opportunities

While the Government will need to purchase cybersecurity solutions, the immediate opportunities would most likely be in the private sector, especially as firms reposition themselves in the new normal and work from home. The Philippines is the home to a very robust business process outsourcing (BPO) industry, which may transition to a more of a work from home model in the future. Engaging with private sector business, U.S. firms would not have to deal with the complicated government procurement process. That being said, some potential government tenders may be worth the time and effort due to their size and scale. Firms targeting such opportunities would need to be prepared to spend years building relationships, helping define specifications, and waiting for funding to become available. The DICT has launched a National Cyber Security Plan 2022 which has two components. The first component, valued at $10 million, has created a National Computer Emergency Response Team (NCERT), and a Security Operations Center (SOC). The SOC serves as the government think tank to study and address online threat development and risk management issues. The second component, valued at $40 million, is the roll-out of cyber security infrastructure from hardware to software, including capacity building training for all the national and local government agencies. With patience and relationship building, U.S. firms may be able to secure portions of business from these government projects as well.

Software and Services

BMI forecasts that Philippine software and software service sales will reach $78.4 million by 2024. Enterprise application spending was the strongest area of spending in 2018-2019, making up two thirds of total software spending. The 2018-2019 year coincided with the end of extended support for Microsoft 7, which further led to software purchases. The remaining one-third included database storage and management solutions.

Enterprise Applications: More than 400 software firms operate in the Philippines with U.S. and European firms dominating in the enterprise application segment. Domestic consumers include large private sector entities seeking digitization solutions in HR, accounting, business intelligence and data warehousing. The need for digitization is high in the Philippines, which favors paper heavy bureaucratic processes, and lags global standards regarding internet speed and ICT utilization.

Data Hosting: The data hosting and processing segment is expected to grow as more firms seek to utilize cloud solutions for efficiency and resilience purposes. Local telcos Philippine Long-Distance Telephone Company and Globe Telecom are increasing data center bandwidth to service more customers. The Asia Cloud Computing Association ranked the Philippines 8th in terms of cloud readiness out of 14 countries in 2018. Large local firms are the consumers of cloud solutions, utilizing regional hubs in Singapore. The Government is also making efforts in the area, and created a Government cloud for employee email, national archives management, and online payment systems.

Market Opportunities

The BPO industry is be one of the biggest consumers of software solutions in the Philippines, valued at $24 billion in 2018. However, this industry is made up of foreign firms, likely to purchase software solutions from their home countries. The second group of consumers would consist of the more significant local players, including banks wishing to pursue greater efficiency and security, hospitals seeking virtual platforms, conglomerates looking into cloud solutions, and telcos. BMI reports that while SMEs account for 65% of employment and 32% of GDP, over 95% are not equipped with their businesses' digital tools. Offering simple cloud tools could be the first step in securing larger business opportunities. Other sectors that have software needs include the retail, manufacturing, and fintech sectors.

The Government is also a potential consumer as it works on its Philippine Digital Transformation Strategy with a budget of $800 million for 2020. The strategy seeks to improve the digital infrastructure, interconnectivity, ease of doing business of the Government using innovative tools and solutions. Software development for the revenue management system, cloud storage for government agencies, a national ID system, and a one-stop online shop for business processing are projects in the pipeline.

Smart Cities

The Philippines is facing formidable challenges as its economy and population rapidly grow. Horrible traffic, the slowest internet in Asia, and an antiquated infrastructure hinder the nation from reaching its full potential. A study noted that the Philippines loses $1.5 billion a day due to traffic. A cash-based economy further hinders the efficient delivery of services. The nation needs many solutions at the national and local levels. The Government needs to digitize services, fund infrastructure projects and set standards for data storage, protection, and utilization. Cities need to do similar things at a local scale, digitizing services, collecting revenue, and increasing accessibility and efficiency.

Market Opportunities

Smart Cities is indeed a popular term in the Philippines but there is no national standard or policy on the specifics. The Government is not procuring any national level solutions and individual cities are left to their own devices to make procurement decisions based on their respective needs. In 2018, the top four cities with the highest business revenue to invest in infrastructure development were Makati ($280 million), Manila ($209 million), Pasig ($197 million), and Quezon City ($323 million). In addition to other major cities in the metro region, non-Metro Manila are also options to consider. These include Cebu and Davao, both part of the Association of Southeast Asian Nations (ASEAN) Smart Cities Network.

Another angle to explore would be private sector land developers such as Ayala Lands, SM Prime Holdings, DMCI, Megaworld, Filinvest, and Robinsons Land. Such developers could potentially be considered as small cities with specific needs that could be fulfilled through U.S.-provided solutions.

Telecommunications

The Philippines telecommunications industry has long been dominated by legacy players Philippine Long-Distance Telephone Company (PLDT) and Globe Telecom. A lack of Government regulatory intervention has led to an extremely saturated market with a duopoly that does not foster competition.

The market is split between the two players who offer similar pricing. Globe Telecom has 94.2 million mobile service subscribers and 2 million broadband subscribers. PLDT has 73.1 million mobile subscribers and 2.1 million broadband subscribers. Legacy players face no penalties if the spectrum is not utilized or if services are not launched. While they have made some investments, the nation still only has 20,000 towers and needs 50,000 more to ensure appropriate mobile cellular coverage.

New entrants, including other local conglomerates, have been hesitant to enter the market. Foreign firms have been even more bearish due to foreign ownership restrictions in sectors designated as public utilities. However, the Duterte Administration has sought to change this by introducing a third telecom player, and a new Common Tower Policy.

Dito Telecom (formerly Mislatel) is a consortium poised to begin operations in March 2021. The Common Tower Policy was also released in June 2020. These changes are intend to disrupt the duopoly, encourage meaningful and expanded investments by the legacy players, and lead to better pricing and connectivity for Filipino consumers. However, strong pressure from vested interests have led to watered down efforts which do not signal a policy framework that would truly allow for a competitive business environment to benefit new entrants and the Filipino people.

In addition to reforms in the private sector sphere, the Government is also making efforts to reach underserved areas through a National Broadband Plan. With a budget of $450 million, the plan has five components that include bypass cable and fiber optic network layout, national free-Wi-Fi, satellite overlay, and a common tower policy.

Market Opportunities

The market will change as reforms are pursued. With full foreign ownership possibilities in the telecom sector if the pending Public Services Act is passed, foreign investors will have greater control and likely more significant incentives to pursue the market. The 167.3 million mobile subscribers would readily switch to an option with better coverage and economical pricing.

The market expects that local telco players to upgrade their network capabilities, install fiber-optic and sub-sea systems and cables, purchase modern networking equipment/storage/servers, and utilize cloud and cybersecurity services. The biggest purchasers of such equipment would be the two legacy players and the third telecom. Globe and PLDT`s 2020 CAPEX is above $ 1 billion, and Dito plans to spend $5 billion on the rollout of its services in the next five years. All players are price sensitive and significantly purchasing Chinese equipment. However, recent incidents have signaled the importance of diversification, and some business is expected to go to U.S. firms.

The market also has a growing segment of broadband providers, such as Converge ICT, One Sky, Rise Enterprise, InfiniVAN, Now Corporation, PT&T, Planet Internet, and Radius Telecom and members of Philippine Cable Television Association (PCTA). Such players are increasing their broadband capacities. Converge plans to spend $1.8 billion in a 5-year effort to layout a fiber optic and domestic subsea network to secure 30% of the country's broadband market share. Other firms also have sizable expansion plans.

Consumer Electronics

Apart from the four leading sub-sectors, the Philippines is also considered a competitive market for consumer electronics.

The mobile device market is the largest, making up over 55% of all consumer electronics related spending. About 44 million of the 107 million population owns smartphones, and a CNN report noted that Filipinos spent an average of 10 hours online a day, with 144 minutes being spent on social media. Long commute times and computer-based work likely are significant contributors. Even for those who do not have smartphones, mobile phones are necessary, and used to send and receive money for most of the unbanked population.

In 2019, Huawei phones were prevented from using Google services due to President Trump's ban being instituted. This means that new Huawei phones cannot come preloaded with Google apps or use some Google services. The competitive edge of Huawei phones will drop, leaving a market for other players. Computer hardware sales will increase as more first-time computer owners emerge. The phasing out of Microsoft 7 (which still accounts for 30% browsing traffic) will induce new purchases. The audio-visual segment will see growth with more users buying their first flat-screen televisions. The analog switch off will also promote further purchases.

A much smaller market would include premium products such as smartwatches and fitness trackers, possibly purchased by young professionals living in cities. This new group is empowered to use disposable income on such luxuries. The nation's actual purchasing power is also distorted by the $33 billion in remittances that enter the country.

Market Opportunities

Philippine consumer electronics market spending from 2020-2024 should reach $8.1 billion and spending in 2020 alone should be around $6 billion. The most popular subsectors would include mobile handsets, computer hardware, and audio-visual devices. Many favorable factors have poised this industry for continued growth. The first would be that the Philippine economy has been consistently growing for years and that 60% of its population is under 23 years old. A new middle class is also emerging, and it is estimated that 1.5 million households will reach an income of $25,000 by 2024. This group will purchase consumer electronics for the first time, and is eager to own mobile devices, televisions, and possibly computers.

Resources

Department of Information and Communications Technology: http://www.dict.gov.ph/
National Privacy Commission: https://www.privacy.gov.ph/
National Telecommunications Commission: http://ntc.gov.ph/ League of Cities of the Philippines: https://lcp.org.ph/
Globe Telecom 2019 Annual Report: https://www.globe.com.ph/content/dam/globe/brie/About-us/sustainability/documents/GLO-Integrated-Report-2019.pdf
PLDT and Smart 2019 Annual Report: http://www.pldt.com/docs/default-source/presentations/2019/fy2019-presentation-with-appendix.pdf?sfvrsn=0

Defense

OVERVIEW

The Armed Forces of the Philippines is undertaking a 15-Year modernization program that started in 2012 and will continue through 2027. The total cost of the 15-year program is projected to be over $40 billion. There are opportunities for the sale of aircraft, ships, unmanned vehicles, intelligence and surveillance systems, communications, personal protective equipment, and weapon systems. The U.S. is a primary supplier of defense equipment to the Philippines, but faces stiff competition from Israel, South Korea, Italy, Spain, France, Sweden, and Germany. China and Russia are also gaining momentum.

Republic Act (RA) 10349 or the Revised Armed Forces Modernization Act was enacted during the time of former President Benigno Aquino III. Current President Rodrigo Duterte has reaffirmed his commitment to continue the AFP’s modernization, but with a slight shift in its priority. Under President Aquino, the focus was to strengthen the AFP’s capability to address external threats, particularly to protect its territorial waters, and advance its maritime domain awareness. President Duterte’s focus is counterterrorism and internal threats. RA 10349 is a significant as it is the first committed effort to modernize the AFP. It was legislated to protect it from shifts in the country's political climate.

A major armed conflict erupted between the AFP and members of the Islamic State in Marawi City in Lanao del Sur Province on May 2017. The conflict lasted over five months and led President Duterte to declare martial law in the entire Mindanao region. The AFP successfully reclaimed Marawi but this incident shed light on the extent of foreign terrorist involvement in the Philippines, and the AFP's ability to respond to internal threats. Despite winning the war in Marawi, Mindanao is still under Martial Law due to the continued presence of terrorist activity. Because of this, defense spending, apart from the Modernization effort, is expected to focus on the AFP's counterterrorism efforts. This includes providing adequate equipment to ground forces and providing the necessary air and maritime reinforcements.

Leading Sub-Sectors

The AFP Modernization will be implemented in three phases called Horizon I (2012-2017), Horizon II (2018-2022), and Horizon III (2023-2027). Estimated spending for Horizon II is expected to be $5 billion. There are no available estimates yet for Horizon III. The AFP is preparing its list of equipment for Horizon III procurement. Initial reports have indicated that it will include procurement of more combat utility helicopters, heavy lift helicopters, and larger UAS systems.

Opportunities

The list of Horizon II projects is considered confidential, but Post has gathered the following opportunities as likely included in Horizon II plans:

- multi-role fighter (MRF) aircraft
- munition systems for the MRF
- command and control fixed wing aircraft
- flight simulators
- helicopters for combat utility, attack, search and rescue
- aircraft (medium lift and amphibian aircraft)
- air surveillance radar
- trainer aircraft
- land vehicles (armored personnel carriers, all-terrain vehicles, light tactical vehicles)
- force protection equipment
- unmanned aerial systems
- amphibian aircraft
- intelligence, surveillance and reconnaissance (ISR) systems
- tactical data link systems and network integration
- riverine operations equipment (light, assault and support boats)
- maritime vessels (corvette, offshore patrol vessel).

Apart from its modernization program, the Philippine Security Forces (includes the AFP and all Service Commands, and the Philippine Coast Guard) receive an average of US$120-125 million annually in U.S. grant funds inclusive of both Department of State (DoS) Foreign Military Fund (FMF) and International Military Education and Training (IMET) and Defense Security Cooperation Agency (DSCA) Building Partnership Capacity (BPC) programs 333 and 1263. This is separate and aside from defense related construction projects, as well as Defense Threat Reduction Agency (DTRA) projects in the Philippines. A few examples of new equipment inclusive of training delivered to the Armed Forces via U.S. Grant programs in 2017-2018 are PUMA UAS System; Scan Eagle UAS System, two Cessna 208 Surveillance Aircraft; Aerostat Surveillance System; and PVS-31 Night Vision Goggles.

Additionally, as a U.S. Grant recipient country, the Philippines has acquired numerous ships (high-endurance cutters or WHEC vessels), aircraft (C130H/T models), and hundreds of wheeled and tracked vehicles via the U.S. Government's Excess Defense Articles Program (EDA).

Foreign Military Sales (FMS) and all U.S. grant assistance is handled by the Joint U.S. Military Assistance Group (JUSMAG) Philippines.

Resources

Department of National Defense: http://www.dnd.gov.ph/home.html
Armed Forces of the Philippines: http://www.afp.mil.ph/
Philippine Government Electronic Procurement System (PHILGEPS): https://www.philgeps.gov.ph/

U.S. Embassy Manila Contacts:

U.S. Commercial Service Philippines:
Thess Sula, Commercial Specialist.
Email: Thess.Sula@trade.gov

Joint U.S. Military Assistance Group (JUSMAG):
Thomas E. Davis, Chief, Security Assistance Division
JUSMAG-Philippines

Energy

OVERVIEW

The Philippines is facing a mounting energy crisis as the Malampaya gas fields, supplying 30% of Luzon`s energy consumption, are expected to be depleted by 2024. An ever increasing population, an administration-mandated infrastructure boom, and some of the highest electricity costs in Southeast Asia all combine to present formidable challenges. The Government has stated that it envisions the Philippines being energy self-sufficient, utilizing a combination of fossil fuels and renewable energy as solutions. About 43 GW of additional capacity will be required by 2040, and the country is clearly behind schedule in developing solutions. The current energy mix is composed of coal (47%), natural gas (22%), renewable energy (hydro, geothermal, wind, solar) (24%), and oil-based (6.2%). While the country indicated interest in clean energy, this clearly will not come at the expense of development, and no penalties or incentives are in place for utilizing different types of energy sources. The electricity sector is fully privatized, with one major utility, Meralco, holding 80% of the market. The remaining 20% is made up of a few regional players, and 100+ electric cooperatives. The need for energy solutions and new equipment exists, but larger players make purely commercial decisions that favor lower cost, and the smaller players often cannot purchase U.S. solutions long-term.

Market Opportunities

LNG: The Government has put out a call for applications for entities to compete to build the nation`s first integrated LNG import terminal. The process does not restrict the number of entities that can compete, and many foreign and U.S. firms are actively pursuing this opportunity. In addition to the opportunity to build the terminal itself, the private sector entities managing the terminal will need to procure gas.

Power Generation: Firms are in different stages of power plant rehabilitation, upgrading, and/or regular maintenance work. This presents a range of opportunities for supplying various types of equipment and services. As the market is fully privatized, these firms will make decisions based on price and need for diversification.

Distribution and Transmission: Solutions are needed for the main grid and new projects, such as $2 billion Visayas-Mindanao Interconnection Project. Smaller utilities will need to enhance their capabilities.

Unserved and Underserved Markets: The need for electricity and solutions outside the main islands is critical, but often not commercially profitable. USAID funded projects allow for opportunities in consulting and pilot projects.

Recent global trends have made the Philippines more aware of the need for diversification. In the past, decisions centered around price, but the need to have multiple sources to ensure business continuity does now seem to be recognized. U.S. firms can expect some share of such business as long as they build relationships with local utilities and register themselves as potential suppliers. A lack of energy standards does present uncertainties, but as the market is private sector driven, should one`s product/solution be desired by the major utilities, one can expect that it will eventually be endorsed by the Government.

Resources

Department of Energy: https://www.doe.gov.ph
Energy Regulatory commission: https://www.erc.gov.ph
National Grid Corporation of the Philippines: https://www.ngcp.ph

U.S. Commercial Service Philippines:
Thess Sula, Commercial Specialist
Email: Thess.Sula@trade.gov

Healthcare

OVERVIEW

The healthcare market in the Philippines has opportunities in both the medical device and pharmaceutical sectors. Major diseases include respiratory infections, diabetes, hypertension, TB, and other heart related problems. The nation also struggles with both obesity and malnutrition at the same time. There are few local manufacturers for both devices and pharmaceuticals, making the nation extremely import dependant. For high value products , the nation has no choice but to procure from foreign sources, and U.S. products continue to be popular.

The national government procures vaccines and devices for its programs and hospital networks and U.S. firms have often been successful in such tenders. Private hospitals, where the wealthy seek the latest innovative treatments, tend to be where U.S. firms target their business. Patients at such hospitals are willing to pay out of pocket and do not need to have treatments covered by Universal Healthcare.

Medical Devices: The Philippine medical device market is almost totally dependent on imports and continues to present opportunities for U.S. manufacturers and distributors of high-value, low-volume products. Such products include electro-medical devices, imaging equipment, radiation equipment, dialysis devices, and linear accelerators. These are the areas where U.S. technologies tend to be competitive. Almost 100% of medical equipment and approximately 50% of medical disposables are imported. Local production is limited to accessories, spare parts (including customized parts), and disposables such as surgical gloves, syringes, and needles.

Pharmaceuticals: The Philippines is the third-largest pharmaceutical market in ASEAN, after Indonesia and Thailand. Over 14 of the world's top 20 pharmaceutical companies have manufacturing facilities in the Philippines. The pharmaceutical industry in the Philippines has experienced stable growth for the past decade, and this trend is expected to continue as greater consumption power allows for more purchases (both from the lower and higher ends of the spectrum), and as the Universal Healthcare System is implemented. Industry studies estimate that the sector could reach $8 billion in value in 2020.

Due to the pandemic, the Department of Health has delayed many intended procurements and is facing budget challenges. Ongoing policy changes including a new Health Technology Assessment Policy and a new Maximum Drug Retail Pricing Policy continue to present challenges for firms.

Market Opportunities:

Medical Devices - There are two distinct buyers for medical devices in the Philippines. The first would be the Department of Health, which purchases equipment for its hospitals and centers through government tenders. Philippine procurement law favors the "lowest cost compliant bid," making it difficult for U.S. firms to win unless they are the only entity capable of providing the product/technology. Government tenders, while high valued, also tend to be very time consuming and bureaucratic, with payment terms that are often undesirable from the private sector. That being said, large-scale procurements present sizable opportunities worth consideration. The Department of Health also is not allowed to procure used equipment, so all purchases will be for new equipment.

On the private sector side, hospitals are upgrading facilities and equipment, and can be expected to make purchases through their own procurement processes. Hospitals have the ability to determine what equipment they specifically want, and can opt for the latest products and technologies that the Government may not be able to afford for Government hospitals.

Pharmaceuticals - Private entities, including hospitals, corporations, and retail outlets, will purchase products through their own procurement processes. Based on their end consumers, they will select different types of products in different price ranges. Mercury Drug, a local retail outlet, has a lower price range than Watsons, which tends to be more expensive. Consumers seeking care in private hospitals pay a premium for faster service, and innovative treatments.

Resources

Department of Health: www.doh.gov.ph
Food and Drug Administration: www.fda.gov.ph
Philippine Health Insurance Corporation: www.philhealth.gov.ph
Pharmaceutical and Healthcare Association of the Philippines: www.phap.org.ph
Philippine Pharmaceutical Manufacturers Association: www.ppma.ph

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Customs, Regulations and Standards

Trade Barriers

The average tariffs on agricultural products stands at 11.63 percent for July 1 to December 31, 2020. The Philippines maintains a two-tiered tariff policy for sensitive agricultural products including rice, corn, pork, chicken meat, sugar, and coffee. These products are subject to a tariff rate quota (TRQ) and all imports outside of the minimum access volume are taxed at a higher out-of-quota rate. In-quota and out-of-quota tariff rates averaged 36.5 percent and 41.2 percent, respectively, and have not changed since 2005.

On February 14, 2019, President Rodrigo Duterte signed into law the Republic Act (RA) No. 11203 or "An Act liberalizing the importation, exportation, and trading of rice, lifting for the purpose the quantitative import restriction on rice, and for other purposes". The law amends RA No. 8178 or the Agricultural Tariffication Act of 1996 and replaces the quantitative restrictions (QR) on rice imports with tariffs.

On June 13, 2019, President Duterte issued Executive Order No. 82 (EO 82), reverting tariff rates for Mechanically Deboned or Mechanically Separated Poultry (MDM/MSP) to 5 percent for chicken and 20 percent for frozen whole turkey. These rates had previously jumped to 40 percent as a result of the recent passage of the Rice Tariffication Law, but will now remain at the lower tariff until December 31, 2020. Executive Order No. 20, issued in 2017, prescribes the Most Favored Nation (MFN) Tariff Schedule until December 31, 2020. A new MFN tariff schedule, which will include MDM/MSP, is expected to be released before the end of 2020, setting tariff rates for all products. Other tariff concessions given to trading partners have expired with passage of the Rice Tariffication Law, with the tariff rates of several major U.S. agricultural agricultural products (including frozen potatoes from 0 to 10 percent and some dairy products) returning to their higher previous rates.

The Implementing Rules and Regulations (IRRs) of RA No. 11203, as contained in Joint Memorandum Circular (JMC) 01-2019, were approved on March 5, 2019. A 350,000 ton rice TRQ will be levied a 40 percent duty. Out-quota tariffs are at 180 percent (or the tariff equivalent based on the WTO Agreement on Agriculture upon the expiration of the waiver of the special treatment for rice, whichever is higher).

At present, a few TRQ products have achieved unified in-quota and out-of-quota tariff rates, including chicken, frozen or chilled (40 percent); turkey livers, frozen or chilled (40 percent); potatoes, fresh and chilled (40 percent); and roasted coffee beans (40 percent). Currently, there is an additional special safeguard duty in place for chicken meat, which effectively doubles the rate of out-of-quota tariff protection. Administrative Order (A.O.) 9 of 1996, as amended by A.O. 8 of 1997 and A.O. 1 of 1998, established rules for implementing TRQs and allocating import licenses.

Excise Taxes on Alcohol Products

Republic Act No. 11467 increased the excise tax imposed on alcohol products effective on January 1, 2020. The ad valorem tax on distilled spitis is 22 percent of the net retail price, and the specific tax is P42.00 per proof liter. For all t ypes of wines, the excise tax is P50.00 per liter. For other fermented liquor including beer, the excise tax is P35.00 per liter. The excise taxes increase each year and the law does not include a sunset provision.

Import Requirements for Food Products

The Philippines is a signatory to the World Trade Organization (WTO) and has lifted quantitative restrictions on imports of all food products, including rice most recently. Tariff-Rate Quotas (TRQs) still remain on a number of sensitive products such as corn, poultry meat, pork, sugar, and coffee. Minimum Access Volumes (MAV) have been established for these commodities.

Sanitary and phytosanitary import clearances that serve as import licenses are required prior to the importation of all agricultural commodities, including feeds, live animals, meat and poultry products, plant and plant products, seafood, and fishery items. In addition, a minimum access volume certificate is required for products entering at the lower in-quota duty such as pork, poultry, corn, coffee, and coffee extract. In all cases, imported meat, fish, and produce require a registered importer to receive the shipment.

Import Regulations for Processed Food Products

Philippine food regulations generally follow the U.S. Food and Drug Administration policies and guidelines for food additives, good manufacturing practices, and suitability of packaging materials for food use. Hence, compliance with U.S. regulations for packaged foods, particularly for labeling, will almost always assure compliance with Philippine regulations. All food products offered for sale in the Philippines must be registered with the Philippine Food and Drug Administration (FDA). 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 three categories:

Low Risk Food Products are foods that are unlikely to contain pathogenic microorganisms and will not normally support their growth because of food characteristics that are unlikely to contain harmful chemicals. This includes snack foods, breakfast cereals, pasta and noodles, alcoholic beverages, coffee, tea, refined and raw sugars, and honey.

Medium Risk Food Products are foods that may contain pathogenic micro-organisms but will not normally support their growth because of food characteristics; or food that is unlikely to contain pathogenic micro-organisms because of food type or processing, but may support the formations of toxins or the growth of pathogenic micro-organisms. This includes milk powder, tomato products, canned or bottle fruit and vegetable preserve, processed meat and poultry, processed fish and fish products.

High Risk Food Products are foods that may contain pathogenic micro-organisms and will support the formation of toxins or the growth of pathogenic micro-organisms and foods that may contain harmful chemicals. This includes milk and dairy based drinks, cheese, frozen processed meat, and infant formula.

Each class per brand of product must be registered with the FDA by the importer before the product can be imported. Only products with a valid Certificate of Product Registration from the FDA will be allowed for sale in the Philippines.

The following is the list of requirements for the initial registration of food products:

1. Completed Integrated Application Form as prescribed by current FDA regulations;
2. Proof of Payment of Fees as prescribed by current FDA regulations;
3. Clear and complete loose labels or artwork, as applicable, of all packaging sizes, or equivalent as defined by FDA regulations except for bulk raw materials, ingredients and food additives intended for further processing or for distribution to establishments/manufacturers for further processing;
4. Pictures of the product from all angles and in different packaging sizes, and from at least two different perspectives allowing visual recognition of a product as the same with the others being registered, as applicable.
5. For food supplements, a sample in actual commercial presentation must be submitted.
6. As applicable, documents to substantiate claims, such as technical, nutritional or health studies or reports, market-research studies, Certificate of Analysis, quantitative studies and computations, scientific reports or studies published in peer-reviewed scientific journals, certificates or certification to support use of logo/seal on Halal, Organic, or Kosher foods and in compliance with current labelling regulations.

A Certificate of Product Registration (CPR) shall be issued by the FDA and shall be valid for two years. Subsequent renewal of CPR shall be valid for a period of five years. Exporters must be aware that the Philippine importer needs to secure a license to operate (LTO) from the FDA to import these products. This is a prerequisite for the registration of all food products. The license lists names of foreign suppliers or sources of the products being registered. The cost of an initial two-year licensing fee is US$80 (PhP4,000). Renewal of License to Operate, valid for five years, is US$160 (PhP8,000).

Import Regulations for Plant Products

The Bureau of Plant Industry (BPI) regulates imports of all plant products, including live plants, fruits and vegetables, and some processed plant products (i.e., raisins, frozen potatoes) that may already be covered by the Philippine Food and Drug Administration. In addition to the Sanitary and Phytosanitary Import Clearance (SPSIC), shipments of fruits and vegetables must be accompanied by a USDA Phytosanitary Certificate or a Processed Plant Product Certificate issued by APHIS at the port of origin. The United States has market access for the Philippines: broccoli, cauliflower, lettuce, carrots, cabbage, celery, and potatoes.

DA Department Circular No. 04 Series of 2016 specifies the requirements and procedures for importing plants, planting materials, and plant products for commercial purposes. Commodities of plant origin that are processed to the point that they are incapable of being infested with quarantine pests are deemed as Category 1 and do not require an SPSIC or a Phytosanitary Certificate (PC). Instead of an SPSIC, an importer should obtain a Plant Quarantine Service Certificate from BPI; likewise, the Processed Plant Product certificate from APHIS (PPQ Form 578) takes the place of a PC. Categories 2, 3, and 4 all require an SPSIC and PC prior to shipment to the Philippines. For more information on the four categories and the details on licensing and registration for Philippine importers are available in the Department Circular mentioned above.

Import Regulations for Meat and Poultry Products

In 2005, the Department of Agriculture issued Administrative Order No. 26 (AO 26), which updated its Administrative Order No. 39 (2000) or the “Revised Rules, Regulations and Standards Governing the Importation of Meat and Meat Products into the Philippines.”

In 2010, Administrative Order 9 (AO 9) was issued, requiring that a Sanitary and Phytosanitary Import Clearance (SPSIC) be issued to an accredited importer prior to shipment of imported food and agricultural products to the country (e.g., plant and plant products, fishery products, live animals, meat and poultry products, fertilizers, animal feed, and pet food) and functions as an import permit. The SPSIC replaced the Veterinary Quarantine Clearance for meat and poultry products. An SPSIC is valid for 60 days from the date of issuance, within which the product is to be shipped from the country of origin. The SPSIC is nontransferable and can only be used by the consignee to whom it was issued. The Philippines follows a one shipment/bill-of-lading per Import Clearance policy.

At present, all U.S. meat establishments that are regulated and inspected by the USDA Food Safety and Inspection Service (FSIS) are eligible to export meat and poultry to the Philippines. A summary of Philippine export requirements for meat and poultry products from the United States may be obtained from: https://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/exporting%20products/export-library-requirements-by-country/Philippines.

Sensitive Agricultural Products

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 products considered important to domestic agriculture: pork, poultry, coffee, sugar, rice and corn. In-quota rates apply to products imported within established minimum access volumes (MAV). Any imports in excess of the MAV are assessed the out-of-quota rate. MAV products are those for which the Philippine Government is committed to providing minimum market access in exchange for the lifting of quantitative import restrictions in the WTO.

The MAV Administration, including its allocation, is handled by a special MAV Management Committee. Please contact the USDA Foreign Agricultural Service in Manila (**AgManila@fas.usda.gov**) for further information on minimum access volumes and current MAV license holders.

Import Regulations for Biotechnology-Derived Products

On April 3, 2002, the Department of Agriculture issued Administrative Order No. 8 (AO 8), which regulates the importation and release into the environment of genetically modified plants and plant products. The Bureau of Plant Industry issues permits for the importation of regulated articles and/or combined trait products for contained use or trials, as well as for direct use as food or feed or for direct processing of genetically-modified (GM) plants and plant products. Under AO 8, no regulated article shall be imported or released into the environment without the conduct of a satisfactory risk assessment.

A Joint Department Circular (JDC) was approved in March 2016 that replaced existing Philippine genetically engineered regulations embodied in the Philippine Department of Agriculture's Administrative Order No. 8 (AO 8). AO 8 was replaced after the Philippine Supreme Court, in a December 8, 2015 decision, ruled that AO 8 did not sufficiently cover minimum requirements of the principles of risk assessment as embodied in the National Biosafety Framework. The JDC requires more public consultation and provides more consideration to socio-economic issues and environmental impacts in risk assessment procedures, compared to AO 8. The JDC was implemented on April 14, 2016.

All shipments of regulated articles must be accompanied by a letter declaring the shipment may or may not contain GMOs. This declaration is issued by the shipper, importer, certified laboratory or responsible office in the country of origin.

A detailed report that specifically addresses import regulations and standards entitled "The Philippines: Food and Agricultural Import Regulations & Standards Country Report (FAIRS)," can be obtained from the FAS homepage. Choose "Market and Trade Data", "Attaché Report Search", and then select "FAIRS Country Reports.

Import Tariffs

The Philippines has implemented the 2017 version of the ASEAN Harmonized Tariff Nomenclature (AHTN). The Philippines' simple average Most Favored Nation (MFN) applied tariff rate was 6.2 percent in 2018. The Philippines' simple average MFN applied tariff rate was 9.8 percent for agricultural products and 5.6 percent for non-agricultural products in 2018. The Philippines has bound 67 percent of its tariff lines in the World Trade Organization (WTO), with a simple average WTO bound tariff rate of 25.7 percent.

As a general rule, imported manufactured goods competing with locally produced goods face higher tariffs than those without local competition. The Philippines cites domestic and global economic developments to justify the modification of applied rates of duty for certain products to protect local producers.

The Philippines eliminated tariffs on approximately 99 percent of all goods from ASEAN trading partners under the ASEAN Free Trade Area (AFTA) agreement. For more information about the country's free trade agreements, see section on "Trade Agreements." Philippine tariff schedules are available at http://tariffcommission.gov.ph/finder/.

Contact:

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Import Requirements and Documentation

Import documents required for shipments to the Philippines include:

1. Duly endorsed Bill of Lading or Airway Bill, or certification by the carrier or agent of the vessel or aircraft
2. Certificate of Origin, if requested
3. Commercial Invoice, Letter of Credit or any other verifiable commercial document evidencing payment
4. Packing List
5. Sales Contract or Proof of Payment (if declared value is below the National Value Verification System (NVSS) reference values. The NVVS is an internal tool of the Bureau of Customs (BOC) Assessment Officers to check the declared value of importation against the prevailing reference values.)
6. Documents as may be required by rules and regulations, such as:
   - Import Permit or Clearance, if the commodity is regulated
   - Authority to Release Imported Goods
   - Copy of an Advance Ruling, if the ruling was used in the goods declaration
   - Load Port Survey Reports or Discharge Port Survey Reports for bulk or break bulk importations
   - Document evidencing exemption from duties and taxes, if applicable
   - Others, e.g., Tax Credit Certificate or Tax Debit Memo, if applicable

For a Letter of Credit (L/C) transaction, a duly accomplished L/C, including a Pro-Forma Invoice and Single Administrative Document (SAD) for Advance Customs Import Duty is required. A Pro-Forma Invoice is required for a non-L/C transaction e.g. Draft Documents against Acceptance (D/A), Documents against Payment D/P), Open Account (OA) or Self-funded documentation.

These documents must be submitted to the Bureau of Customs' Formal Entry Division (FED) or its equivalent office or unit, together with the printout of the SAD signed by the declarant and the customs broker, if any, and notarized.

Regulated Commodities can be imported only after securing the necessary goods declaration, clearances, licenses, and any other requirements prior to importation. Submission of requirements after arrival of the goods, but prior to release from the Bureau of Customs' custody shall be allowed, but only in cases provided for by governing laws or regulations. The list of Regulated Import Commodities and the Administering Agencies is available in the Philippine National Trade Repository (PNTR) website (www.pntr.gov.ph). This website also contains information on import procedures and documentary requirements for Regulated Commodities.

The website of the Philippines' Department of Trade and Industry's Bureau of Import Services, (https://www.dti.gov.ph/negosyo/imports/import-facilitation/) contains, among others, information on import classifications, general import procedures, import clearance process, and guidelines for accreditation of importers and customs brokers.

For inquiries, please contact:

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Website: https://www.dti.gov.ph/negosyo/imports/import-facilitation/

Bureau of Customs- Customer Assistance and Response Services (BOC-CARES)
Phone: (632) 7705-6000, (63) 905 299 7977, (63) 929 503 5138
Email: boc.cares@customs.gov.ph
Website: http://customs.gov.ph/; https://client.customs.gov.ph/kb/index.php
(FAQ); https://client.customs.gov.ph (BOC Customer Care Portal where one can ask specific questions)

Labeling and Marking Requirements

Philippine marking and labeling requirements are specified in the Philippine Consumer Act (Republic Act No. 7394) and Philippine National Standards (PNS). The Department of Trade and Industry (DTI)'s Bureau of Philippine Standards (BPS) is the national standards body that develops and implements the PNS.

All consumer products sold domestically, whether manufactured locally or imported, must contain the following information on their labels:

- Correct and registered trade name or brand name;
- Registered trademark;
- Registered business name and address of the manufacturer, importer, or repacker of the consumer product in the Philippines;
- General make or active ingredients;
- Net quality of contents, in terms of weight; and,
- Country of manufacture, if imported.

The BPS implements a product certification mark scheme to verify conformity of products to PNS and other international standards. This includes critical consumer products such as chemicals, electrical and electronic products, as well as mechanical, construction, and building materials. Products manufactured locally must bear a Philippine Standard (PS) mark, while imported products must bear Import Commodity Clearance (ICC) certification marks issued upon inspection by BPS.

For list of products subjected to mandatory certification and additional information on labeling/marking requirements, visit: http://www.bps.dti.gov.ph/

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U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives. BIS's Export Enforcement (EE) is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure. In accordance with the EAR, BIS officials conduct site visits, also known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR, to verify compliance.

An EUC is an on-site verification of a party to a transaction to determine whether it is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of recipient(s) of items subject to the EAR, to include: confirming their legitimacy and reliability relating to the end use and end user; monitoring their compliance with license conditions; and ensuring such items are used and/or re-exported or transferred (in-country) in accordance with the EAR.

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "red flags", or warning signs, intended to discover possible violations of the EAR.

Also, BIS has "Know Your Customer" guidance.

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars and focus on the basics of exporting as well as more advanced topics. Check a list of upcoming seminars and webinars.

BIS also provides online training.

The EAR does not regulate transactions involving all U.S. goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services. A list of other agencies involved in export control can be found on the BIS website or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the BIS website and on the e-CFR (Electronic Code of Federal Regulations).

The Consolidated Screening List (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates a number of smaller lists of restricted parties that are maintained by a variety of U.S. Government agencies, including the Department of Commerce, as an aid to industry in conducting electronic screens of potential parties to regulated transactions.

Temporary Entry

Goods brought into the Philippines for repair, processing, or reconditioning and to be re-exported upon completion of the repair, processing, or reconditioning may be allowed conditionally free entry. The Bureau of Customs requires a security equal to 100% of the duties, taxes, and other charges on the goods, with the condition that the goods will be exported or the corresponding duties, taxes, and other charge will be paid within six months from the date of acceptance of the goods declaration.

The Department of Finance (DOF) requires one-time registration of the consignee in the Tax Exemption System (TES) Lite providing the following information:

1. Name of Consignee
2. Tax identification Number
3. Email Address
4. Official Address

DOF also requires the following documents:

1. Duly accomplished Department of Finance - Revenue Office (DOF-RO) Form 91: Application For Tax and/or Duty Exemption on Importations (https://www.dof.gov.ph/download/dof-ro-form-91/?wpdmdl=22812&refresh=5efc6b6c3ee2e1593600876)
2. Notarized Affidavit of End-Use/Ownership
3. Authorization Letter (if Authorized Representative)
4. Signed and dated Import Bill of Lading/Airway Bill
5. Commercial Invoice (Packing list, if applicable)
6. Contract/Agreement (for repair/processing/reconditioning)

Contact:

Department of Finance
Phone: 632-8526-7311
Email: revenueoffice@dof.gov.ph
Website: www.dof.gov.ph

Prohibited and Restricted Imports

Philippine law restricts the importation of certain goods for reasons of national security, environmental and public health protection, and order and morality, in addition to complying with international treaties and obligations. Prohibited goods include:

- Used clothing and rags;
- Toy guns;
- Right-hand drive vehicles;
- Hazardous waste, even in transit into Philippine territory;
- Laundry and industrial detergents containing hard surfactants;
- Polychlorinated biphenyls (PCBs);
- Used motorcycle parts, except engine; and
- Live piranha, shrimp, and prawns.

The Philippine Tariff and Customs Code also prohibit the importation of the following goods:

- Dynamite, gunpowder, ammunition, and other explosives, firearms, weapons of war, and parts thereof, except when authorized by law;
- Written or printed articles containing information that advocates or incites: treason, rebellion, insurrection, sedition, subversion against the government, forcible resistance to laws, threats to life, or inflicting bodily harm upon any person in the Philippines;
- Written or printed articles, negatives or cinematographic film, photographs, engravings, lithographs, objects, paintings, drawings, or other representation of an obscene or immoral character;
- Articles, instruments, drugs, and substances designed, intended or adapted for producing unlawful abortion;
- Roulette wheels, gambling outfits, loaded dice, marked cards, machines, apparatus or mechanical devices used in gambling or the distribution of money, cigars, cigarettes, or other when such distribution is dependent on chance, including jackpot and pinball machines or similar contrivances, or parts thereof;
- Lottery and sweepstakes tickets except those authorized by Philippine government, advertisements thereof, and list of drawings therein;
- Any article manufactured in whole or in part of gold, silver or other precious metals or alloys thereof, the stamps, brands or marks of which do not indicate the actual fineness of quality of metals or alloys;
- Weapons of mass destruction and goods included in the National Strategic Goods List (NSGL) as provided under the Strategic Trade Management Act;
- 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 or any person duly authorized by the Dangerous Drugs Board, for medical purposes only;
- Opium pipes and parts thereof, or whatever material; and,
- All other articles and parts thereof, the importation of which is prohibited by law or rules and regulations issued by competent Philippine authority.

Regulated/Restricted Commodities

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

Furniture manufacturers and agents, as well as log and lumber contractors and lumber dealers, may import wood materials under several different licensing regimes. Importers must submit a Phytosanitary Certificate issued by the country of origin to the Department of Agriculture's Bureau of Plant Industry (DA-BPI). The Department of Agriculture also issues biosafety permits for the use of genetically modified (GM) plant and plant products for field trials, commercial propagation, and/or direct use as food, feed, or processing.

The table below lists other commodities with required import clearances issued by concerned Philippine government agencies:

Commodity Description/Commodity Group	Government Agencies Issuing Permits/Clearance
Essential Chemicals & Controlled Precursors; and Dangerous Drugs (Ketamine, Pseudoephedrine, Oripavine, Ameneptine, etc.)	Philippine Drug Enforcement Agency (PDEA) and Dangerous Drugs Board (DDB)

Chemicals under the Philippine Priority Chemical List (PCL)	Department of Environment and Natural Resources – Energy Resource Development Bureau (DENR-ERDB)
Cyanide, Mercury, Asbestos, Polychlorinated Biphenyl, Chlorofluorocarbon and other ozone depleting substances Recyclable materials containing hazardous substances, i.e. scrap metals, solid plastic materials, electronic assemblies and scrap, used oil, fly ash, and used lead acid batteries	Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB) Department of Environment and Natural Resources – Energy Resource Development Bureau (DENR-ERDB)
Coal, Anthracite	Department of Environment and Natural Resources – Energy Resource Development Bureau (DENR-ERDB)
Wildlife	Department of Environment and Natural Resources (DENR) – Protected Areas and Wildlife Bureau (PAWB)
Live animals Animal products and byproducts	Department of Agriculture (DA) – Bureau of Animal Industry (BAI)
Fishery and aquatic products	Department of Agriculture (DA) – Bureau of Fisheries and Aquatic Resources (BFAR)
Plants, planting materials, and plant products	Department of Agriculture (DA) – Bureau of Plant Industry (BPI)
Cane or beet sugar, and other artificial sweeteners	Sugar Regulatory Administration (SRA)
Chainsaws Wood products	Department of Environment and Natural Resources (DENR) - Forest Management Bureau (FMB)
Semi-synthetic antibiotics (all form and salts of ampicillin, amoxicillin, and cloxacillin) wheat flour; iodized salt; and all health products	Department of Health (DOH) - Food and Drug Administration (FDA)
Color reproduction machines with 2,400 dots per inch (dpi) or higher	National Bureau of Investigation (NBI) and Central Bank
Explosives, blasting agents, and detonators Chemicals used as ingredients in the manufacture of explosives (e.g. chlorates, nitrates and nitric acid, etc.)	Philippine National Police (PNP) - Firearms and Explosive Office
All fertilizers, pesticides and other such chemicalsproducts intended for agricultural use	Department of Agriculture (DA)-Fertilizer and Pesticide Authority (FPA)
Used motor vehicles, trucks, and buses – including used parts and components	Department of Trade and Industry (DTI) - Bureau of Import Services (BIS)
Used vehicles for the use of foreign diplomatic corps and accredited international organizations	Department of Foreign Affairs (DFA)
Aircrafts, engines, propellers	Civil Aviation Authority of the Philippines (CAAP)
All types of ships not wooden hulled, including fishing vessels/boats	Maritime Industry Authority (MARINA)
All commodities originating from the following socialist and centrally-planned economy countries: Albania,	Philippine International Trading Corporation (PITC)

Angola, Ethiopia, Laos, Libya, Mongolia, Mozambique, Myanmar, Nicaragua, and North Korea	
Nuclear and radioactive materials; Nuclear-related dual-use equipment and materials	Department of Science and Technology (DOST) – Philippine Nuclear Research Institute (PNRI)
Household appliances and lamp/lighting products; Wiring devices, wires and cables, mechanical/construction materials	Department of Trade and Industry (DTI) – Bureau of Product Standards (BPS)
Selected medical devices; toys; water and medical waste treatment devices	Department of Health (DOH) - Food and Drugs Administration (FDA)
Radio transmitters/transceivers	National Telecommunications Commission (NTC)
Optical and magnetic media products	Optical Media Board
Electronic gaming machines and products	Philippine Amusement and Gaming Corp. (PAGCOR)
Legal tender Philippine notes and coins, checks, money order, and other bills of exchange drawn in pesos against banks operating in the Philippines in amount exceeding PhP50,000	Central Bank

For a comprehensive list of import commodities and details of regulating agencies, visit the DTI website at https://dti.gov.ph/resources/downloadable-forms#imports and Philippine National Trade Repository at http://pntr.gov.ph/.

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Customs Regulations

Importers and customs brokers must secure accreditation from the Bureau of Customs (BOC). Exceptions can apply to importers in special economic zones, the Philippine Government and its agencies, foreign embassies, consulates, and international organizations with diplomatic status and/or recognized by the Philippine government, such as the Asian Development Bank (ADB) and the World Health Organization (WHO). Visit https://www.dti.gov.ph/businesses/imports/import-facilitation/.

Accredited importers or customs brokers can access the BOC's Electronic to Mobile (E2M) system to lodge import entries electronically. The E2M system allows customs officers and traders to electronically process most customs transactions, although importers are still required to submit hard copies of import documents and attachments to the Entry Processing Unit for verification. The E2M system does not deal with permits and/or licenses issued by other government agencies and must be applied for separately.

Import documents required in all shipments are as follows:

- Commercial Invoice, Letter of Credit, or any other verifiable commercial document evidencing payment; in cases where there is no sale for export, by any commercial document indicating the commercial value of the goods;
- Bill of Lading (for sea freight) or airway bill (for air freight);

- Packing List;
- Duly notarized supplemental declaration on valuation (SDV);
- Applicable special certificates required;
- Documents as may be required, such as:

    - Import permit or clearance;
    - Authority to release imported goods (ATRIG)
    - Certificate of origin for free trade agreements (FTAs);
    - Copy of an advance ruling, if ruling was used in goods declaration;
    - Load port survey reports, or discharge port survey reports for bulk or break-bulk importations;
    - Documents evidencing exemption from duties and taxes; and
    - Others, e.g. tax credit certificate (TCC), or tax debit memos (TBM).

Shipments are classified according to risk. A low-risk shipment passes through the “green lane” without documentary review or physical inspection. A moderate-risk shipment passes through the “yellow lane” and is subject to document review. A high-risk shipment passes through the “red lane” and is subject to both document review and physical inspection. A shipment considered for post clearance audit passes through the “blue lane”.

The ASEAN Single Window in the Philippines went online on December 30, 2019 using the National Single Window (NSW) trade portal, allowing for customs efficiencies and better transparency. The country’s NSW now issues an electronic Certificate of Origin via the https://tradenet.gov.ph/

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Standards for Trade:

OVERVIEW

The Standards system in the Philippines is more government-driven than market-driven, although government consults with industry/local stakeholders in the formulation of the Philippine National Standards (PNS).

The Bureau of Philippine Standards (BPS), under the Department of Trade and Industry (DTI), is the Philippines' national Standards body that develops, promulgates, implements, and promotes standardization activities in the Philippines.

There are two types of Standards classification -- voluntary and mandatory. The BPS implements mandatory product certification schemes for certain products divided into categories, namely, building and construction, electrical and electronics, chemical and consumer products. The BPS subjects these products under its list of PNS for mandatory certification to inspection and testing methods prior to distribution and sale in the Philippine market with the necessary Philippine Standard (PS) or Import Commodity Clearance (ICC) marks. (http://www.bps.dti.gov.ph/) The BPS provides the Bureau of Customs (BOC) a list of products under mandatory BPS product certification as a guide to incoming shipments.

The BPS prepares a work plan based on national priorities tasking the 39 Technical Committees doing standards development work. BPS likewise coordinates standards development activities with other agencies such as the

Department of Agriculture and the Department of Health. Updates of ongoing standards development are posted at the BPS portal but not on an annual plan system.

Specific qualifications are required for Technical Committee work to develop Philippine National Standards. Expertise is evaluated based on demonstrated experience and educational background. Nomination from organization/sector being represented is required. Other interested parties may be allowed to attend TC meetings as observers.

Standards

The Consumer Act of the Philippines (Republic Act 7394) provides that the development and provision of quality and safety standards for consumer products, including performance or use-oriented standards, codes of practice and methods of tests, shall be implemented by the Department of Agriculture (DA), the Department of Health (DOH), and the Department of Trade and Industry (DTI).

Through the Standards Law (Republic Act 4109), 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. Draft standards are circulated for comments for at least 60 days.

The BPS operates 39 active Technical Committees (TCs) and 13 Sub-Committees and Working Groups for the development, adoption, and review of PNS.

The Philippines is a member of the International Organization for Standardization or ISO. ISO develops voluntary standards on quality, safety and efficiency of products, services, and systems from technology to food safety, construction, agriculture and healthcare. Under the ISO, the BPS is a Participating Member (P Member) to 23 Technical Committees (TCs), 20 Sub-Committees (SCs), and two Project Committees (PCs), and an Observing Member (0-Member) to 58 TCs and 36 SCs.

As the National Standards Body of the Philippines, the Bureau of Philippine Standards maintains Technical Committees that develop standards and align the Philippine National Standards (PNS) to the International Standards of the ISO, IEC, ITU, and CODEX Alimentarius. The BPS refers to ASTM standards in developing PNS, which is made possible through a Memorandum of Agreement with ASTM.

Similarly, the BPS participates in the International Electrotechnical Committee or IEC, that prepares and publishes voluntary standards for electrical, electronic, and related technologies. Under the IEC, the BPS is a P-Member to four (4) TCs and four (4) SCs, and an O-Member to nine (9) TCs and 16 SCs.

The BPS also refers to other US national standards, including ASME and IEE, in the development of PNS.

However, the BPS has not consulted with any U.S. Standard Developing Organizations concerning standards and the standardization process.

The BPS implements mandatory product certification schemes for certain products divided into categories, namely, building and construction, electrical and electronics, chemical and consumer products. The BPS subjects these products under its list of PNS for mandatory certification to inspection and testing methods prior to distribution and sale in the Philippine market with the necessary Philippine Standard (PS) or Import Commodity Clearance (ICC) marks.

Under the PS Certification Scheme based on the Department Administrative Order (DAO) No. 4:2008, a manufacturer shall secure a license to use the Philippine Standard (PS) mark to show the consistent compliance of its product with the requirements of a specific PNS. The BPS assesses a manufacturer's production processes and product.

Under the ICC Certification Scheme according to the DTI DAO No. 5:2008, an importer shall acquire an ICC certificate to use the ICC sticker on imported products which demonstrate conformance to the requirements of an applicable PNS. The BPS, through the DTI Regional and Provincial Offices, subjects import shipments to sampling and testing procedures and evaluation.

DAO 05:2008 specifies that importers are offered four options for their applications to be processed, which include: (1) an application without a Product Test Report but with a Quality Management System (QMS) based on the ISO 9001:2000 and its future amendments; (2) an application with a Product Test Report and with a QMS based on the ISO 9001:2000 and its future amendments; (3) an application without a Product Test Report and without a QMS; and (4) an application with the Philippine Standard (PS) license from a foreign supplier. There are 75 listed Philippine National Standards which cover 85 products and three (3) services under the BPS Mandatory Certification Scheme.

Conformity Assessment

The Department of Trade and Industry's Philippine Accreditation Bureau (DTI-PAB) is the national accreditation body by virtue of Executive Order 802. It is mandated to accredit testing, calibration laboratories, certification bodies, inspection bodies, and other bodies offering conformity assessment services needed by the country.

The Philippine Accreditation Bureau (PAB) is under the Office of the Undersecretary of Competitiveness and Innovation Group (CIG) effective February 21, 2019 after the issuance of Department Order (DO) No. 19-18. Formerly, DTI-PAB was under the Offices of the Undersecretary of the Consumer Protection Group (CPG) and later to the Office of the Undersecretary of the Industry Development and Trade Policy Group (IDTPG) with the issuance of the Department Order (DO) no. 17-35 on 29 March 2017.

PAB operates based on ISO/IEC 17011, the international standard that specifies requirements for the competence, consistent operation and impartiality of accreditation bodies assessing and accrediting conformity assessment bodies.

PAB is recognized internationally through its membership to the International Accreditation Forum (IAF), International Laboratory Accreditation Cooperation (ILAC), International Halal Accreditation Forum (IHAF) and regionally, through its membership to Asia Pacific Accreditation Cooperation (APAC). PAB is signatory to the APAC Mutual Recognition Arrangement (MRA) for Testing, Medical Testing, Calibration, Inspection; and Certifications on Environmental Management System, Food Safety Management System and Quality Management System.

PAB is composed of three divisions, namely:

Management Systems Accreditation Division (MSAD)

MSAD handles the following accreditation schemes for:

- Certification Body based on ISO/IEC 17021-1 (Conformity assessment - Requirements for bodies providing audit and certification of management systems) that certifies organization to:
    - ISO 9001 (Quality Management System)
    - ISO 14001 (Environmental Management System)
    - ISO 22000 (Food Safety Management System) / Hazard Analysis and Critical Control Point (HACCP)
    - ISO/IEC 27001 (Information Security Management System)
    - ISO 50001 (Energy Management System)
- Product Certification Body based on ISO/IEC 17065 -Conformity assessment -Requirement for bodies certifying products, processes and services.
- Person Certification Body based on ISO/IEC 17024 - Conformity assessment - Requirement for bodies certifying persons

Laboratory Accreditation Division (LAD)

LAD handles the accreditation scheme for:

- Testing and calibration laboratories based on ISO/IEC 17025 - General requirements for the competence of testing and calibration laboratories.
- Medical testing laboratories based on ISO 15189 - Medical laboratories - particular requirements for quality and competence.

- Inspection bodies based on ISO/IEC 17020 - Conformity assessment - Requirements for the operation of various types of bodies performing inspection.

Promotion and Documentation Division (PDD)

PDD is the marketing arm of the bureau that:

- Promotes accreditation activities;
- Extends technical assistance to trade and industry sectors through training programs;
- Makes information on accreditation schemes available to institutions, organizations, business and individuals concerned; and

Ensure that all information from the different regional and international fora are processed, disseminated and acted upon.

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Testing, Inspection and Certification

All products under Mandatory Regulation of the BPS require test reports in accordance with what is required by Philippine National Standards. The tests are conducted by BPS or its recognized laboratories.

The BPS offers its clients a third-party testing of electrical, electronic, chemical, mechanical, calibration, and consumer products through its BPS Testing Center to verify conformity to PNS requirements that support the Philippine Standard (PS) and Import Commodity Clearance (ICC) product certification schemes. http://www.bps.dti.gov.ph/index.php?option=com_docman&task=cat_view&gid=94&Itemid=77.

To further facilitate the ease in doing business on the issuance of the Import Commodity Clearance (ICC) as stated in the DTI DAO No. 15-01, certain products are now delisted from the List of Products under Mandatory Certification subject to compliance with markings and labelling requirements. Also, the BPS shall process the ICC within 16 working days from filing, if importers comply with the necessary requirements prior to the release of the certificate.

The BPS offers the following support services: Standards Data Center, a library for PNS; Sales and Publication and Trainings/Seminars. Basic information on BPS services is available at http://www.bps.dti.gov.ph and queries can be sent to bps@dti.gov.ph.

To achieve its objectives in standardization and product certification, the BPS has established networks with local Government agencies, regional standardization bodies, and specialist regional bodies. This includes the International Organization for Standardization (ISO), International Electrotechnical Commission (IEC), Asia Pacific Economic Cooperation (APEC), and ASEAN Consultative Committee on Standards and Quality (ACCSQ), among others. BPS' involvement with the said bodies/organizations aims to strengthen the country's technical infrastructure for its conformity assessment, testing and calibration, and standards information services.

The Philippines is a Party to the World Trade Organization (WTO) including the Agreement on Technical Barriers to Trade (TBT Agreement). The WTO-TBT agreement provides that the BPS ensure that Philippine National Standards are not prepared, adopted, or applied with a view to or with the effect of creating obstacles to international trade. In compliance to this provision, the BPS aligns its national standards with available international standards, where appropriate.

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Publication of Technical Regulations

To ensure that information on said notifications are available, BPS maintains a Standards and Conformance Portal at www.bps.dti.gov.ph which houses the Philippines' TBT Enquiry Point Page. The page also hosts a weekly publication called the BPS WTO TBT Notifications Bulletin. This weekly bulletin is envisaged to simplify access to information by containing direct links to the notifications made by WTO members. The BPS also provides a summary of notifications by sector through its online dissemination to stakeholders.

The Bureau circulates draft technical regulations for comment at a certain period. All approved Department Administrative Orders (DAOs) for the implementation of PNS under mandatory certification are published in two newspapers of general circulation. These technical regulations are posted in the Standards and Conformance Portal.

Recently issued Department Orders that may impact U.S. products:

DAO 17-06 – Portland cement and blended hydraulic cement with pozzolan

DAO 18-02 – Household and similar electrical appliances

DAO 18-03 – Self-ballasted LED lamps for general lighting services

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

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Trade Agreements

ASEAN Trade in Goods Agreement

The 2010 ASEAN Trade in Goods Agreement (ATIGA) consolidated all Common Effective Preferential Tariff/ASEAN Free Trade Area (CEPT/AFTA) commitments related to trade in goods. It seeks to establish a single market and production base with a free flow of goods in the ASEAN region, a major component of the ASEAN Economic Community (AEC). ATIGA covers tariff liberalization, trade facilitation initiatives, simplification of rules of origin, and establishment of an ASEAN Trade Repository. Visit http://investasean.asean.org/ for updates on ASEAN trade.

Philippines – Japan Economic Partnership Agreement

The Philippines and Japan entered into a free trade agreement in 2008. PJEPA is the Philippines' only bilateral free trade agreement, covering, among others, trade in goods, trade in services, investments, movement of natural persons, intellectual property, customs procedures, improvement of the business environment, and government procurement.

Philippines – European Free Trade Association Free Trade Agreement

The Philippines and EFTA members – Iceland, Liechtenstein, Norway, and Switzerland – signed a free trade agreement in 2016 which is expected to enter into force in 2018. The Philippines-EFTA covers trade in goods, trade in services, investment, competition, intellectual property, government procurement, and trade and sustainable development.

Other Free Trade Agreements

Under ASEAN, the Philippines has a preferential trade agreements with China, Hong Kong, India, Japan, South Korea, and Australia and New Zealand. Visit https://www.dti.gov.ph/15-main-content/dummy-article/682-free-trade-agreements and http://tariffcommission.gov.ph/finder/ for a list of Philippine trade agreements and corresponding tariff schedules and commitments. Other trade-related information is also available at the Philippine National Trade Repository website http://pntr.gov.ph/.

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Licensing Requirements for Professional Services

On October 29, 201, the Government issued Executive Order No. 65, Series of 2018 which promulgated the 11th Foreign Investment Negative List (FINL) https://www.officialgazette.gov.ph/downloads/2018/10oct/20181029-EO-65-RRD.pdf

The 11th Negative List relaxed restrictions on the rules governing foreign professional practice in the Philippines. The 11th FINL now allows foreigners' practice to professions in pharmacy and forestry provided that their home countries allow Filipinos for the same privilege. Professions in radiologic, x-ray technology, criminology, and law remain reserved for Filipino nationals only.

The Professional Regulation Commission (PRC) and the Supreme Court (SC) are the official organizations mandated by the Philippine government to regulate and supervise various professionals' practices. They are responsible for the administration, implementation, and enforcement of regulatory policies on regulating and licensing various professions and occupations under Philippine jurisdiction.

Licensed professionals from foreign countries who wish to practice their professions in the Philippines, except in law, should obtain a special temporary permit from the PRC based on the provision of Republic Act 8981. The law practice is reserved for Philippine citizens only who have completed the requisite coursework at a duly accredited Philippine law school and passed the bar examinations. The two exceptions to the citizenship and education requirement are U.S. citizens licensed to practice before Philippine courts before July 4, 1946. Philippine citizens who were also "enrolled attorneys in good standing in the Supreme Court of the United States or any circuit court of appeals or district court therein, or the highest court of any State or Territory of the United States.

Consequently, foreign lawyers cannot engage in the practice of law in the Philippines. They must be represented by a member of the Philippine Bar in all matters connected with such practice.

For more information regarding the guidelines and the general agreement on trade in services and other international agreements on foreign professionals' practice in the Philippines, visit the PRC website www.prc.gov.ph or the Supreme Court website. http://sc.judiciary.gov.ph/

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Resources

Bureau of Customs: http://www.customs.gov.ph
Bureau of Import Services: https://www.dti.gov.ph/businesses/imports/
Bureau of Philippine Standards: http://www.bps.dti.gov.ph
Consolidated Screening List: https://www.export.gov/csl-search;
https://www.export.gov/article?id=Consolidated-Screening-List

Customs Modernization and Tariff Act: https://www.senate.gov.ph/lisdata/2230519018!.pdf
Department of Agriculture Administrative Orders: https://www.da.gov.ph/laws-and-issuances/administrative-orders/
Department of Agriculture: http://www.da.gov.ph

Food and Drug Administration's Requirements: https://ww2.fda.gov.ph/index.php/industry-corner/downloadables/196-list-of-laboratories-recognized-by-the-fda/343710-checklist-of-requirements
Food and Drug Administration's Checklist of Requirements For Obtaining A License To Operate And A Certificate Of Product Registration: https://ww2.fda.gov.ph/industry-corner//downloadables/221-drug-establishment-licensing-requirements
Invest in ASEAN: http://investasean.asean.org/
List of import commodities and regulating agencies: https://dti.gov.ph/resources/downloadable-forms#imports

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Selling U.S. Products and Services

Distribution & Sales Channels

Overview

Metro Manila is the commercial capital of the Philippines. It is composed of 17 cities and is where the Philippines' national importers and distributors are located. Within Metro Manila, Makati City, Ortigas Center in Mandaluyong City, Bonifacio Global City in Taguig, Asiana in Pasay City are considered central business districts (CDB). These CBDs are home to many multinational company headquarters, commercial bank head offices, and high-end shopping establishments.

Outside of Manila, other major regional commercial centers are Province of Pampanga, Baguio City, Cebu City, Iloilo, Davao and Batangas. Cebu City, the third largest city in the Philippines, and Iloilo are the primary trading centers for the middle portion of the archipelago (the Visayas Region). Davao, the second largest city in the Philippines, enjoys a near-trade monopoly in Southern Mindanao, due to the numerous land and water connections to nearby provinces. The Port Statistics data released by the Philippine Ports Authority (http://www.ppa.com.ph/) shows total foreign ship calls of 500,919 in 2019. Here is the breakdown of the 2019 foreign ship calls per region: Manila / Northern Luzon: 4,232; Southern Mindanao: 2,396, Southern Luzon: 2,443; Northern Mindanao: 1,135, Visayas with 1,043.

Most of international cargo traffic is handled in the ports located in Manila; the Manila International Container Terminal (MICT), and South Harbor. MICT is operated by the International Container Terminal Services, Inc. (ICTSI), a Philippine-based international port operator with operations in 20 other countries (including the U.S.). South Harbor is operated by Asian Terminals, Inc. (ATI), a Dubai-based company.

Trucking companies are used to deliver goods from the port to warehouses and retail outlets. The large number of trucks has caused a huge impact on road congestion. The Government has resorted to truck bans on major roads in Manila during rush hour or in some areas from 5am to 9pm to help alleviate traffic. This has negative repercussions on the movement of goods in and out of Manila. There are efforts to promote the use of ports outside of Manila (Northern Luzon and Southern Luzon) to decongest the road network in the Capital.

The use of local agents or distributors greatly improves the opportunity for market success. There are currently two types of importers in the Philippines: stocking distributors and indenters. Stocking distributors are bound by a contract to buy and sell a prescribed number of items as stated in their agreement with the foreign supplier. Indenters, on the other hand, act as brokers between foreign suppliers and the end user, thus saving on capital outlays for expensive equipment and avoiding the need to stock high-priced products. Usually, a buyer who orders from an indenter already has the financing for the goods. Customers will often open a letter of credit (L/C) for direct purchase from a foreign exporter. Under these arrangements, the local representative or agent gets a commission for the sale, known as an indent sale. Indenters also handle after-sales service support.

In selecting local firms as agents, a U.S firm should consider whether the local firm is an accredited vendor of its target customer(s). Several large Philippine corporations have a "vendor accreditation process" in place. Only those listed as an accredited vendor are informed of upcoming procurement projects. For Government projects, potential local distributors should be knowledgeable on relevant Philippine and U.S. laws, specifically, Republic Act (RA) No. 9184 or the Government Procurement Reform Act (GPRA), and the U.S. Foreign Corrupt Practices Act (FCPA). U.S. companies should work with a local firm that has experience participating in Philippine Government bids. Many U.S. firms use the U.S. Commercial Service's

International Company Profile (ICP) program to assess a prospective agent's capability and reputation in the market.

Using an Agent or Distributor

Agent/distributor arrangements are common in the Philippines. Local companies are often eager to pursue discussions once they have examined a U.S. firm's website/product literature and have determined that there is a market for the product.

Contracts between U.S. manufacturers and their Filipino agents/distributors typically contain the following key elements:

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

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

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

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

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

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

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

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

U.S. firms seeking agents or distributors in the Philippines are encouraged to use the services of the U.S. Commercial Service Philippines, which include International Partner Search (IPS), International Company Profile (ICP), and Gold Key Service (GKS). More information is available at: https://www.trade.gov/export-solutions

Establishing an Office

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

Multinational firms, depending on the nature of their intended business activity in the Philippines, may avail of the following modes of entry into the Philippine market: subsidiary, regional headquarters (RHQ), regional operating headquarters (ROHQ), branch office, and representative office.

For more information on business registration requirements, and incentives for each mode of entry, you can access the information from the Philippine Board of Investments: https://boi.gov.ph/how-to-setup-business/setting-up/enterprise-types/.

Franchising

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

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

Master franchise fees vary widely depending on the type of business and are defined in the agreement between the parties. The royalty fee that a franchisor collects from a franchisee incorporates all aspects of the franchise business, which may include the use of trade name, trademark, and the system or concept of the franchise.

One hundred percent foreign ownership is allowed for Philippine retail trade enterprises (which most franchise outlets are) provided they comply with the pre-qualification requirements and which meet all of the following requirements: (a) upfront paid-up capital of US$ 2.5 million or more, provided that investments for establishing a store is not less than $830,000 or (b) specializing in high-end or luxury products, provided that the paid- up capital per store is not less than $ 250,000.00 (Section 5 of Republic Act 9762). No foreign equity is allowed in Retail Trade Enterprises with less than the above-mentioned capital.

The GRP's liberalized trade practices are embodied in the Intellectual Property Code of the Philippines – Republic Act No. 8293. Under the law, franchisors do not have to register their franchise agreements as long as these agreements do not contain any of the prohibited clauses under Section 87 and do contain all the mandatory provisions under Section 88 of the IP Code. The law also removed the ceiling on royalties. Royalty payments may be remitted through any Authorized Agent Bank (AAB) of the Philippine Central Bank (Bangko Sentral ng Pilipinas (BSP).

Franchise agreement clauses prohibited under Section 87 are those that:

- Impose upon the licensee the obligation to acquire from specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor;
- Reserve the right to fix the sale or resale prices of the products manufactured on the basis of the license;
- Contain restrictions regarding the volume and structure of production;
- Prohibit the use of competitive technologies in a nonexclusive technology transfer arrangement;
- Establish a full or partial purchase option in favor of the licensor;
- 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;
- Require payment of royalties to the owners of patents for patents that are not used;
- 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;
- 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;
- Require payments for patents and other industrial property rights after their expiration or termination arrangements;
- Necessitate that the technology recipient shall not contest the validity of any of the patents of the technology supplier;
- 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;
- 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;
- Exempt the licensor for liability for non-fulfillment of his responsibilities under the technology transfer arrangement and/or liability arising from third party suits brought about by the use of the licensed product or the licensed technology; and
- Other clauses with equivalent effects.

The following are the mandatory provisions required under Section 88:

- The laws of the Philippines shall govern the interpretation of the contract and, in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office;
- Continued access to improvement in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement;
- In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade La w (UNCITRAL) or the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC) shall apply and the venue of arbitration shall be the Philippines or any neutral country; and,

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

Direct Marketing

In the Philippines, a distinction is made between direct marketing and direct selling. The basic difference lies in the closeness of contact. Whereas direct marketing is usually conducted through phone, email, direct mail or courier, direct selling involves personal contact with a prospective customer. Direct sellers typically visit customers at home, at the workplace, or at points of contact other than a permanent retail establishment.

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

In recent years, the multi-level marketing approach to direct selling has become increasingly popular. Multi-level Marketing is a form of Direct Selling. This approach involves a “down line” system in which a direct seller recruits others into his network, provides training and mentorship to the downlines, and earns a fee or commission based on the productivity or sales network. The basic difference is that the multi-level marketing companies generally allow their independent direct sellers to earn overriding commissions from the sales of their downlines up to several levels deep. The Direct Selling Association of the Philippines (http://www.dsap.ph) currently has 32 members. U.S. firms such as Amway, Avon, Herbalife, Tupperware, Nu Skin, Mary Kay, Reliv, 4Life Research, Forever Living, Max International, Neolife International, New Image, Sunrider, Unicity, Xyngular, and Youngevity have established direct selling Distributorship networks in the country.

Joint Ventures/Licensing

Foreign businesses are allowed to operate in the Philippines through joint ventures with local enterprises. The Philippine Government (GPH) does not require the submission of licensing/technology transfer arrangements for approval and registration by the Intellectual Property Office. Voluntary submission is strongly encouraged to ensure compliance with Sections 87 and 88 of the Intellectual Property Code, since non-conformance with Section 87 on Prohibited Clauses and Section 88 on Mandatory Provisions automatically renders the arrangement unenforceable. The Intellectual Property Office may allow exemption from conformance with Section 87 and 88 after an evaluation under the provisions of Section 91 on Exceptional Cases.

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

Express Delivery

Major global express delivery firms are actively doing business in the Philippines. Average delivery time rom large U.S. cities is three (3) days. However, it may take longer depending on specific origin and destination, customs clearance procedures, and express delivery service capabilities.

Under Republic Act 10863 or the Customs Modernization and Tariff Act (CMTA) of 2016, the Philippines increased its de minimis level (previously at Php10.00) to Php10,000 or approximately US200. The Philippine Bureau of Customs has published a guide for MSME’s for de minimis importation: http://customs.gov.ph/infographic-quick-guide-to-de-minimis-importation/

All other import shipments are processed through the Philippine Bureau of Customs (BOC). Philippine importers are required to work with a Customs Broker and cannot transact with the BOC directly.

Due Diligence

It is wise for a U.S. company to confirm the reputation of its potential Philippine distributor, agent or representative prior to entering a business relationship. To help with this important process, the U.S. Commercial Service in the Philippines offers the International Company Profile (ICP) program. The ICP provides information on Philippine companies, including general business information, background and product information, key officials, references, financial data/creditworthiness and reputation. For more information, or to order an ICP, please contact the U.S. Commercial Service Philippine office (http://export.gov/philippines/contactus/index.asp). Alternately, you may visit a U.S. Department of Commerce office (http://export.gov/usoffices/index.asp).

After a careful selection of partners, U.S. suppliers should be prepared to support and work closely with their local distributors, agents or representatives.

eCommerce

Overview

COVID-19 has increased demand for eCommerce in the Philippines. While the younger population was already open to online shopping, the need for social distancing has pushed the cash centric and face to face shopping culture towards a more digital one, and this is expected to continue. What is lacking is proper digital and logistics infrastructure to truly enable a digital economy. There needs to be higher bandwidth capacity to service the retail market.

Current Market Trends

Filipinos are prolific users of social media. Estimates this year show that there are 76 million active social media users from the Philippines. Of this number, 75 million are on Facebook; 12 million on Twitter, and 4 million are LinkedIn users [1].

There is good reason to be optimistic about eCommerce growth in the Philippines. However, the country also faces the following challenges:

Infrastructure gap: Need for further improvement in internet speed. According to OOKLA's Speedtest Global Index, the Philippines' fixed broadband internet speed is 22.74 Mbps in July 2020 and ranked 108th of 174th. Mobile broadband speed is 16.17 Mbps in June 2020 and ranked 121st of 114th of 138th countries[2]. The Philippines also ranked 63rd out of the 100 economies and 26th in the 2020 Inclusive Internet Index conducted by the Economist intelligence unit. [3] Logistics and distribution also pose significant challenges in product delivery. A lack of cold chain storage limits food products that can be transported for long distances. Traffic and an inefficient delivery network also make delivery extremely unreliable in many areas.

Most internet users gain access through smartphones. Smartphone penetration is now at 48.4 percent of households[4]4.

- Low Broadband Penetration: Many Filipinos access the web from mobile, home, internet cafés and their workplace.
- Low digital payment penetration: Bangko Sentral ng Pilipinas (BSP) in a 2018 report shows that an estimated 66 percent of Filipinos do not use banks, and about eight percent use credit cards. Hence, online stores in the Philippines provide cash on delivery payment options or payment centers (i.e., 7/11 branches). Different companies such as telcos, banks, and fintech start-ups have rolled out e-wallets for unbanked populations. Significant players include PayMaya (PLDT), GCash (Globe). The BSP also

[1] Gonzales G. (2019, February 18), Filipinos spend most time online, on social media worldwide – report: https://www.rappler.com/technology/news/222407-philippines-online-use-2019-hootsuite-we-are-social-report
[2] OOKLA's Speedtest Global Index, Philippine ranking: https://www.speedtest.net/global-index
[3] The Economist Intelligence Unit, Philippine ranking https://theinclusiveinternet.eiu.com/explore/countries/performance
[4] Statista (2019), Share of mobile phone users that use a smartphone in the Philippines from 2014 to 2020: https://www.statista.com/statistics/570387/philippines-smartphone-penetration/

launched PESONet, a new electronic funds transfer service that enables customers of participating banks, e-money issuers, or mobile money operators to transfer funds in Philippine Peso currency to another customer of other participating banks, e-money issuers or mobile money operators in the Philippines.

- The Philippines is a fast-growing retail e-commerce market and the most popular retail e-commerce platforms include Lazada, Shopee, Zalora, Ebay, and Kimstore.[5]
- Security concerns: Those who have credit cards are wary of transacting online, given the numerous incidents of hacking and weak cybersecurity efforts that still plague the country. Therefore, e-commerce platforms have established a cash payment mechanism using large convenience store chains (i.e., 7/11 and Mini Stop) and local express delivery service (i.e., LBC). Filipino consumers require further education on security measures that can protect their online transactions. This will establish increased levels of confidence in online banking, purchasing, and selling.

eCommerce Intellectual Property Rights

The Philippines has passed adequate legislation to promote eCommerce, the eCommerce Law, Cybercrime, and Data Privacy Laws. However, enforcement agencies like the Department of Justice and Philippine National Police and the local courts are not yet adept at handling cases involving electronic transactions. The system is not, however, in place. The National Privacy Commission (NPC) is tasked with implementing the Data Privacy Law, and they have had significant achievement through Philippine-based companies designating "Data Privacy Officers" or DPOs. The NPC is also leading the Philippines to be compliant with international privacy agreements such as the European General Data Protection Regulation (GDPR) and APEC Cross Border Privacy Rules (CBPR).

Popular eCommerce Sites:

- www.b2bpricenow.com– A trading portal with close to 8,000 members that are mostly from cooperatives. The Philippine Congress officially endorses it as the Philippine e-Marketplace for Agriculture and Fisheries. This site is a trading portal that provides up to the minute price update on market information for agriculture, consumer goods, and industrial manufactures.
- https://e-order.asiarx.com/– Caters primarily to the pharmaceutical and medical supply industry have a regional scope, multilingual capabilities, tight real-time integration with supplier systems, and focus on the customer's perspective and business processes. AsiaRx takes control of the entire procurement process from finding the product to availability check, to order status verification.
- http://philippines.tradekey.com – A B2B marketplace connecting Filipino exporters with overseas buyers. It connects traders with global wholesalers, buyers, importers and exporters, manufacturers, and distributors in over 240 countries.
- www.philippinecompanies.com – A Philippine business directory with 413,282 registered companies. This website builds its database from publicly accessible directories such as Business Registrations from various municipalities.
- http://philippines.tradeford.com – Provides global importers with information on products, exporters, suppliers, manufacturers, and wholesalers. TradeFord's buyers and suppliers' database covers major industries such as apparel, fashion, chemicals, construction, electronics, furniture, food and beverage, health and beauty, machinery, transportation, and more.

[5] Subido, L. K. (2018, January 20). What Are the Most Popular E-Commerce Platforms in the Philippines? Retrieved from Entrepreneur Philippines: https://www.entrepreneur.com.ph/news-and-events/what-are-the-most-popular-e-commerce-platforms-in-the-philippines-a00200-20180120

- https://www.kenresearch.com – Global industry research and information service company. Provides industry intelligence, equity research reports and business consulting services covering several sectors.
- https://www.carousell.ph/ - Global online marketplace open in 45 countries in world used for buying and selling of goods and services.

Online Payment

The increase in online shopping and access to online bank transactions is increasing payment in the Philippines. Vendors are turning to online payment as a convenient buying method. However, the security concerns over platforms and a cash-based society's culture limits its effectiveness.

Mobile eCommerce

Data from Globe Telecom and the Philippine Long-Distance Telephone Company shows that there are 163.7 million mobile subscribers in the Philippines[6] [7]. Most Filipinos access the internet through their mobile phones, providing cost-effective and consistent access. Philippine and international businesses sell products and services through mobile that has direct access to online consumers. The Philippines is the fastest growing app market in Southeast Asia.

Digital Marketing

The proliferation of social media and online platforms directly contributed to the growth of digital marketing. An estimate of 76 million Filipino are online users and steady growth trends continue. Traditional marketing companies emerged with new marketing techniques that include social media. Businesses are continuing to transition to digital marketing to reach an even broader market for potential customers, and this is becoming a reliable and growing trend[8].

Major Buying Holidays

Consumers in the Philippines traditionally make purchases during March, April, May, November, and December. These are the peak months that employees receive salary bonuses. Businesses offer sales and discounts during these months.

Social Media

Filipinos are prolific users of social media. Estimates this year show that there are 76 million active social media users in the Philippines. Of this number, 75 million use Facebook; 12 million use Twitter, and 6.7 million are LinkedIn users. The Philippines is recognized as one of the top countries for internet users worldwide in terms of time spent on social media; 4 hours on mobile and 5.2 hours on desktop and tablet.[9]

Selling Factors & Techniques

Trade Promotion and Advertising

Include web links to local fair or trade show authorities and local newspapers, trade publications, radio/TV/cable information, and your BSP, FUSE or single company promotion services.

The Philippines is a brand-conscious market. Advertising plays a significant role in promoting the sale of most consumer goods. Most of the leading advertising agencies in the country are affiliated with international agencies. Advertising in the Philippines has evolved beyond traditional tri-media outfits (print, TV, and radio). Local advertisers now also use electronic billboards, web advertising, mass transit or public transport advertising, special events and

[6] 2019 Globe Integrated Report https://www.globe.com.ph/content/dam/globe/brie/About-us/sustainability/documents/GLO-Integrated-Report-2019.pdf
[7] PLDT Smart 2019 Full Year Results, http://www.pldt.com/docs/default-source/presentations/2019/fy2019-presentation-with-appendix.pdf?sfvrsn=0
[8] CNN Philippines, (2019, February 1), PH takes top spot as heaviest internet users worldwide — report:http://nine.cnnphilippines.com/lifestyle/2019/02/01/2019-digital-hootsuite-we-are-social-internet-philippines-facebook.html
[9] Gonzales G. (2019, February 18), Filipinos spend most time online, on social media worldwide – report: https://www.rappler.com/technology/news/222407-philippines-online-use-2019-hootsuite-we-are-social-report

product launches, direct marketing, social media promotion, and other tools to promote their products. Although some advertisements utilize Western image models or concepts, many market segments are "localized" versions of product advertising and brand-building. The use of celebrity endorsers or other high-profile personalities is a well-tested and well-received formula for local advertising.

The National Telecommunications Commission (NTC) reported that broadcast media in the Philippines comprises 132 AM radio stations, and 349 FM radio stations as of December 2015. The NTC also indicates that six major television networks operate 285 stations.

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

Provincial newspapers and regional publications are also available.

Internet penetration has increased but is still relatively low compared to Asian neighbors such as Singapore, Taiwan, and Japan. Online advertising is gaining popularity as social networking/marketing captured the younger Filipino market. Web-based advertising is typically placed on the most-visited local websites (online news and entertainment media, regional search portals, etc.). Although most of the Philippines' significant companies maintain their websites, the content quality, level of sophistication, and interaction with site visitors vary.

Text messaging (also referred to as SMS or short message service) is a viral advertising medium since it is relatively inexpensive and allows businesses to reach highly targeted consumers. The Philippines has 163.7 million mobile subscriptions with the ability to receive text messages. Large companies often send promotional messages via SMS, which serves as an effective marketing strategy.

Other social networks such as Facebook, YouTube, Linked-in, Instagram, Tiktok, and Twitter have also gained momentum in reaching niche markets for consumer brands, especially among young people.

Over the last few years, local organizers have developed numerous industry-specific trade shows and exhibitions. These trade promotion activities cater to a wide array of sectors, including construction, clean energy, health and lifestyle, furniture and home décor, food and food equipment, regional products, giftware, franchise opportunities, education, industrial goods, automotive, maritime and defense, sporting goods, apparel, telecommunications and IT, among others.

Popular venues for trade fairs and expos include shopping malls (SMX Convention Center attached to the SM Mall of Asia complex), trade halls (World Trade Center, and the Philippine Trade Training Center, among others) convention centers. CS Philippines participates in some of the more prominent local trade shows and regularly informs U.S. companies when they arise.

CS Philippines offers web-based information and advertising services for U.S. companies, including:

- The Featured U.S. Exporters (FUSE) is a catalog of U.S. products featured on websites of U.S. Commercial Service offices around the world. FUSE enables U.S. companies to target specific country markets in the local language of business. Catalog advertisements are currently offered free of charge to qualified U.S. exporters seeking trade leads or representation in over 30 markets worldwide. Information on how to join the FUSE program can be found at: https://buyusa.gov/.
- Local Fair and Trade Show Organizers:

Global Link Philippines	https://www.globallinkmp.com/
Primetrade Asia Incorporated	http://www.primetradeasia.com
Worldbex Services International	http://www.worldbex.com

Fiera de Manila	http://www.fmi.com.ph

- Major Local Newspapers:

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

- Major TV/ Radio Stations:

ABS-CBN (TV) / DZMM (Radio)	http://www.abs-cbn.com – FrANCHISE ON HOLD
ABC- TV5 (TV5)/ DWFM (Radio	http://www.tv5.com.ph/
CNN Philippines (TV)	http://www.cnnphilippines.com
GMA (TV) / DZBB (Radio)	http://www.igma.tv
People’s Television-PTV4 (Govt. channel)	http://www.ptv.ph/

The Consumer Code of the Philippines covers the legalities of direct selling and direct marketing. Firms interested in either direct selling or direct marketing can coordinate their activities with the Department of Trade and Industry (DTI).

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Email: oamsg@dti.gov.ph
Website: http://www.dti.gov.ph

Pricing

Typical retail markups average 30 percent of invoice value, but markup percentages can range from a minimum of 7 to 10 percent for regulated goods such as glass, aluminum, etc., to 10 to 15 percent for most consumer goods, and as much as 30 percent for high-end or luxury items. These rates enable distributors, wholesalers, and retailers to recover expenses incurred in importing equipment, raw materials, or finished goods, such as import duties, Value Added Tax (VAT), discounts to customers, commissions to company-employed agents and independent provincial dealers, warehousing fees, shipping charges (some are charged to the importer), and other Bureau of Customs fees.

Retailers typically earn a 20 to 30 percent profit margin on most non-food retail items, but margins may vary widely depending on mutually agreed sale terms and conditions.

Generally, all transactions involving the sale of goods, properties and/or services are subject to VAT. VAT is imposed on the gross selling price (for sale of goods) and gross receipts (for the rendering of services). Since February 2006, the Expanded Value Added Tax (EVAT) Law increased VAT from 10 to 12 percent across the board. The VAT on imported goods is based on the total value used by the Philippine Bureau of Customs in determining tariffs and duties.

In most cases, VAT is already imputed in the final invoice price as it is billed to the buyer, unless the exporter stipulates that it is not included. Typically, a foreign exporter will collect VAT from his Filipino buyer and remit the tax to the government. If the Philippine buyer re-sells the product locally, such as in a distributor relationship, the local re-seller passes the VAT onto the local buyer in the invoice price.

Sales Service/Customer Support

After-sales service and support is extremely important to the Philippine market. Philippine partners expect U.S. vendors to provide adequate support during and after the warranty period in order to provide utmost customer satisfaction and strengthen the brand name.

The 2016 Revised Implementing Rules and Regulations of Republic Act (RA) 9184 or the Government Procurement Reform Act (GPRA), the procurement of goods, in order to assure that manufacturing defects shall be corrected by the supplier, a warranty security shall be required from the contract awardee for a minimum period of three (3) months, in the case of Expendable Supplies, or a minimum period of one (1) year, in the case of Non-expendable Supplies, after acceptance by the Procuring Entity of the delivered supplies. The obligation for the warranty shall be covered by either retention money in an amount equivalent to at least one percent (1%) but not to exceed five percent (5%) of every progress payment, or a special bank guarantee equivalent to at least one percent (1%) but not to exceed five percent (5%) of the total contract price.

U.S. firms typically provide after-sales service through their local representatives. Those with substantial sales in the Philippines establish a branch office, which further strengthens the support given to their local distributors or resellers. The strategy of having a local presence provides a competitive advantage. Another alternative is supporting the Philippine market from a regional Asian office.

Local Professional Services

Major U.S. and global accounting firms, law firms, and insurance companies have active offices and partners in major cities in the Philippines. In addition to Commercial Service Philippines, U.S. firms interested in doing business in the country may reach out to the American Chamber of Commerce (http://www.amchamphilippines.com/) for more information.

The U.S. Embassy website has a list of lawyers that can be referenced (https://ph.usembassy.gov/u-s-citizen-services/attorneys/). This list updated on a request basis, and interested firms can submit information via: ACSInfoManila@state.gov.

The Commercial Section also has a list of lawyers that can be provided to clients upon request.

Principal Business Associations

American Chamber of Commerce of the Philippines, Inc. http://www.amchamphilippines.com/

The American Chamber of Commerce of the Philippines, Inc. assist the interests of Philippine and American businesses through the participation of members in promoting their long-term objectives while contributing to the civic and economic development of the Philippines.

Contact:

Mr. Ebb Hinchliffe
AmCham, Executive Director
Email: amcham@amchamphilippines.com

Tel: (632) 8818-7911
2/F Corithian Plaza Building,
Paseo De Roxas, Legaspi Village,
Makati City, Metro Manila

Chemical Industries Association of the Philippines http://spik.com.ph

The Chemical Industries Association of the Philippines promotes the Philippine chemical industry, assist its members in manufacturing quality products and effectively addresses government and global opportunities.

Contact:

Ms. Gretchen Enarle
President
President, Atlantic Coatings, Inc.
Email: spik.secretariat@gmail.com; secretariat@spik.com.ph
Tel: (632) 8753-1752
Unit 2201 Cityland 10 Tower I
6815 Ayala Avenue North
1226 Makati City, Philippines

Direct Selling Association of the Philippines http://www.dsap.ph

The Direct Selling Association of the Philippines (DSAP) is composed of companies engaged in the business of direct selling and networking marketing. DSAP works with the government regarding methods of production, marketing and servicing by its members as it promotes a high standard of merchandising and servicing practices.

Contact:

Mr. Josefino J. Sarmiento
Chairman
Email: info@dsap.ph
Tel: (632) 8638-3089
Unit 606 Cityland Shaw Tower,
Shaw Boulevard corner St. Francis Street,
Mandaluyong City, 1552, Philippines

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

Institute of Integrated Electrical Engineers of the Philippines, Inc. (IIEE) is composed of electrical practitioners with 47,000 members. IIEE cooperate with the government mainly through the Professional Regulation Commission in the continuous upgrading of electrical engineering practice and education.

Contact:

Mr. Noel Fernandez
National President
Email: myleen.iiee.technical@gmail.com
Tel: (632) 3414-5626 local 230
41 Monte de Piedad Street,
Brgy. Immaculate Concepcion,
Cubao Quezon City 1111, Metro Manila

Makati Business Club http://www.mbc.com.ph/

The Makati Business Club foster and promote the role of the business sector in national development efforts, both in planning and the implementation of policies. It has become the leading private forum for meetings that bring together business, government, and community leaders in the country.

Contact:

Mr. Coco Alcuaz
Executive Director
Email: makatibusinessclub@mbc.com.ph
Tel: (632) 7751-1137 to 38
2nd Floor, Aim Conference Center
Benavidez Street corner Trasierra Street
Legaspi Village, 1229 Makati City, Philippines

Philippine Chamber of Commerce and Industry http://www.philippinechamber.com/

Philippine Chamber of Commerce and Industry (PCCI) advocate for the growth and sustainable development of entrepreneurship, chamber development, international trade relations and business innovation. PCCI works with the government, local chambers, and other business organizations to promote Philippine enterprises globally.

Contact:

Amb. Benedicto V. Yujuico
President
Email: secretariat@philippinechamber.com
Tel: (632) 8846-8196
3F Commerce and Industry Plaza 1030
Campus Ave. cor. Park Ave. McKinley Town Center
Fort Bonifacio Taguig City, Philippines 1634

U.S. Asean and Business Council https://www.usasean.org/

U.S. – ASEAN Business Council, supports the efforts of the American business community to do business in the Philippines. By working with the government, the Council has successfully advocated for the Philippines to adopt policy reforms to permit greater foreign investment in domestic energy sector, liberalize the telecommunications industry and address issues related to corruption and governance.

Contact:

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Bonifacio Global City, Taguig City 1634, Philippines

Limitations on Selling U.S. Products and Services

The 11th Regular Foreign Investment Negative List (FINL) https://www.officialgazette.gov.ph/downloads/2018/10oct/20181029-EO-65-RRD.pdf of October 2018 lists investment areas/activities that are reserved for Philippine citizens. It also specifies the percentages of foreign equity participation in areas/activities that are open to foreign investors.

List A of the 11th FINL enumerates areas/activities where foreign ownership is prohibited or limited under the Philippine Constitution and specific laws, such as the practice of certain professions; contracts for the construction of defense-related structures; and contracts for the supply of materials, goods and commodities to government-owned or controlled corporations, agencies or municipal corporations. List A may be amended any time to reflect changes brought about by new laws.

List B contains the list of areas/activities where foreign ownership is limited for reasons of security, defense, risk to health and morals, and protection of small- and medium-scale enterprises. The Philippine government allows up to 40 percent foreign equity in areas/activities in List B, which includes manufacture, repair, storage, and/or distribution of products and/or ingredients requiring Philippine National Police or Department of National Defense clearances. Amendments to List B can only be made once every two years in accordance with Republic Act. No. 7042 or the "Foreign Investments Act of 1991."

The release of the Philippines Foreign Investment Negative List (FINL) in October 2018 had minimal impact to the business community which expected more important changes. While they appreciated small victories such as the 100 percent foreign investment in internet and investment businesses and a foreign equity cap increase on foreign participation in infrastructure work for locally funded public projects from 25% to 40%, the community and the private sector, in general, had commented that genuine reform requires legislation. Philippine Congress must consider passing laws that will allow less restrictions on foreign ownership and investment in the Philippines.

Government procurement requires a foreign firm to have a local partner, with very few exceptions. Please see Selling to the Public Sector section under Selling U.S. Products Service and; Section 23.4 - Eligibility Criteria for procurement of goods and infrastructure projects, Section 24.3 - Eligibility Criteria for procurement of consulting services and Appendix 9 - Guidelines in the Determination of Foreign Suppliers, Contractors and Consultants to Participate in Government Procurement Projects of the Revised Implementing Rules and Regulations of Republic Act No. 9184 or The Government Procurement Reform Act. (https://www.gppb.gov.ph/assets/pdfs/Updated%202016%20Revised%20IRR%20with%20Table%20of%20Contents.pdf) for information on the few circumstances where foreign companies can bid directly on government tenders.

Trade Financing

Methods of Payment:

For export transactions, the choice of method of payment depends on two factors: the existing relationship between the exporter (seller) and the importer (buyer) and the mutual agreement on the terms and conditions of the sale.

Cash in Advance

Cash In Advance (C.I.A.) is practiced only to a limited extent due to existing Philippine BSP (Central Bank) regulations on acquiring foreign currency. Typically, buyers with existing foreign currency accounts with banks operating in the Philippines may consider doing a C.I.A. wherein cash payment is remitted even before the goods are shipped. On the part of the seller, C.I.A. is ideal for goods that are custom-made, such as specialized equipment.

For first-time transactions between the exporter and the importer, or in situations in which the two have not fully established their business relationship, a Letter of Credit (L/C) is a common and secure method of payment. Under this mechanism, the buyer establishes credit with his/her local bank of choice and describes in full detail the terms of the sale (i.e., description of items, price, documentary requirements, etc.). The L/C is opened on account of the buyer in favor of the seller. Essentially, the L/C serves as a demand draft, a promise to pay on the part of the importer with the support of the bank responsible for issuing the payment to the exporter. Once the exporter is in full compliance with all the requirements, payment is made into an effect within a specified time frame, typically 30 or 60 days or whatever has been agreed upon. Any discrepancies regarding the L/C may result in delays, additional documentary stamp tax or even non-payment. Bank charges apply when securing the L/C. A confirmed irrevocable, documentary L/C "confirmed by a U.S. bank" is recommended.

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

- Documents Against Acceptance (D/A): The exporter extends credit to the importer for a certain period of time. Terms vary, usually 30 to 60 days after the bill of lading date or the invoice date, depending on what was agreed upon. The seller retains the title documents and forwards them to a collecting bank with instructions to release said documents to the buyer only if the buyer issues a time draft or presents an acceptable bill of exchange.
- Documents against Payment (D/P): The documents transferring the title to the goods are not released to the buyer by the collecting bank unless the bank receives payment from the buyer.
- Open Account (O/A): When there is a high level of trust and the buyer is of reputable standing with the seller, documents transferring title to the goods are sent directly to the buyer (instead of the collecting bank, as in the case of D/A) without guarantee of payment. The buyer remits payment upon maturity; terms vary from 30 days to 180 days, depending on the agreement. Subsidiaries of multinational companies operating in the Philippines (especially those in the oil and pharmaceutical sectors) are prime users of O/A.
- Direct Remittance: As with O/A significant mutual trust is required. Instead of a term transaction, the seller requires the buyer to pay immediately upon receipt of the document transferring the title to the goods.

Credit Rating Agency

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

Collection Agencies

In cases of non-payment or delinquent accounts, the use of collection agencies may be considered. There are several collection agencies operating in the Philippines, typically on a "no collect, no pay" arrangement for collection cases that have not yet been elevated to the courts. A typical collection time frame ranges from 30 to 90 days (longer if it is outside the Metropolitan Manila area), wherein the collection agent issues a demand letter signed by a lawyer. Some agents offer collection services only, while others can help facilitate filing a case in court in instances where the respondent cannot comply with the demand letter. Service fees vary depending on the nature and value of the transaction, but agents typically charge a percentage of the amount collected (current rates range from 20 percent to 40 percent). If the case is filed in court, legal and other fees will apply. It is best to seek local legal representation on non-payment cases, especially those involving significant amounts.

Primary credit or charge cards used

Most Philippine merchants accept Visa, MasterCard, American Express, Diners Club, Discover credit cards.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at www.Export.gov/TradeFinanceGuide.

Banking Systems:

The BSP allows Philippine residents and non-residents to purchase foreign exchange (FX) from authorized agent banks (AABs) and/or banks' subsidiary/affiliate foreign exchange corporations (AAB-forex corps) and from non-bank entities operating as foreign exchange dealers (FXDs) and/or money changers (MCs) to fund legitimate foreign exchange obligations, subject to the provision of information and/or documents. The sale of FX by AABs and AAB-forex corps is governed by the Manual of Regulations on Foreign Exchange Transactions, issued under Circular No. 645 in February 2009, as amended. The sale of FX by FXDs/MCs is governed by Circular No. 471, issued in January 2005, as amended

FX purchases from AABs and AAB-forex corps for trade and non-trade current account transactions (such as travel, medical and educational expenses, royalties, copyright, patent, franchise, and licensing fees) of up to US$500,000 for individuals and US$1,000,000 for corporates/other entities or their equivalent, in other foreign currencies require only the submission of a BSP-prescribed application form to purchase FX to the foreign-exchange selling institution; amounts in excess also require the submission of supporting documents.

The BSP allows submission of supporting documents through electronic means for: a) registration of private sector foreign loans without public sector guarantee; b) registration of inward investments; c) sale of foreign currency by banks covering FX transactions.

The BSP does not require imports to be registered under any mode of payment but does require banks to report such transactions to the BSP prior to purchase of FX for payment. FX purchases from AABs and AAB-forex corps for import payments may be remitted directly by the FX-selling institution to the non-resident beneficiary's account or credited to the importer's foreign currency deposit account (with the same or different AAB) for eventual remittance by the depository AAB to the non-resident beneficiary.

Although there are some exceptions, public sector foreign/foreign currency loans generally require prior BSP approval pursuant to existing laws, including the 1987 Philippine Constitution. Loan proceeds should be deposited with the BSP pending utilization.

Government-guaranteed foreign/foreign currency borrowings by the private sector also require prior BSP approval. Purely private sector loans do not require approval but must be reported to the BSP. Private sector borrowing should be registered with the BSP whether or not these are subject to prior BSP approval to be eligible to source FX for debt servicing from AABs and/or AAB-forex corps.

Registration of foreign investments either with the BSP or custodian banks is optional, unless the foreign exchange which will be used to service the repatriation of capital and/or the remittance of related earnings will be sourced from AABs and AAB-forex corps. Registration can be filed with the BSP within the one-year prescriptive period, free of charge.

FX purchases from FXDs/MCs for non-trade current account purposes are allowed up to US$10,000 or its equivalent without additional supporting documents other than a BSP-prescribed application form to purchase foreign currency, but not to exceed US$50,000 per month per customer. FX purchases from FXDs/MCs for other than non-trade current account purposes require submission of the BSP-prescribed application form to purchase FX and supporting documents on the underlying transactions, regardless of amount.

Additional information on foreign exchange and remittance policies can be found in Parts 1 and 6 of the Investment Climate Statement in this Country Commercial Guide. More detailed information, including operational relief measures related to the COVID-19 pandemic. More detailed information is available at:

http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT.pdf
http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT-faas.zip
http://www.bsp.gov.ph/downloads/Regulations/attachments/2005/c471.pdf
http://www.bsp.gov.ph/downloads/regulations/atachments/2009/c652.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2017/c942.pdf
http://www.bsp.gov.ph/downloads/Publications/FAQs/faqfxreg.pdf

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Foreign Exchange Controls:

The BSP allows Philippine residents and non-residents to purchase foreign exchange (FX) from authorized agent banks (AABs) and/or banks' subsidiary/affiliate foreign exchange corporations (AAB-forex corps) and from non-bank entities operating as foreign exchange dealers (FXDs) and/or money changers (MCs) to fund legitimate foreign exchange obligations, subject to the provision of information and/or documents. The sale of FX by AABs and AAB-forex corps is governed by the Manual of Regulations on Foreign Exchange Transactions, issued under Circular No. 645 in February 2009, as amended. The sale of FX by FXDs/MCs is governed by Circular No. 471, issued in January 2005, as amended.

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Registration of foreign investments either with the BSP or custodian banks is optional, unless the foreign exchange which will be used to service the repatriation of capital and/or the remittance of related earnings will be sourced from AABs and AAB-forex corps. Registration can be filed with the BSP within the one-year prescriptive period, free of charge.

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http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT.pdf
http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT-faas.zip
http://www.bsp.gov.ph/downloads/Regulations/attachments/2005/c471.pdf
http://www.bsp.gov.ph/downloads/regulations/atachments/2009/c652.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2017/c942.pdf
http://www.bsp.gov.ph/downloads/Publications/FAQs/faqfxreg.pdf

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U.S. Banks and Local Correspondent Banks:

This information is derived from the State Department's Office of Investment Affairs' 2018 Investment Climate Statement. Any questions on the ICS can be directed to EB-ICS-DL@state.gov.The commercial banking system includes three U.S. foreign-branch banks: Citibank, which operates full-service Citibank branches in key locations in Metro Manila and Metro Cebu; Bank of America; and JP Morgan Chase. Two U.S. banks have representative offices in the country: Wells Fargo Bank and Bank of New York Mellon.Reflecting a long history of economic and political ties, all commercial banks in the Philippines have correspondent U.S. banking relationships. The best way for a firm to determine whether its U.S. bank has a correspondent bank in the Philippines is by checking with the U.S. bank.

Commercial Banks	**Address and Contact #**	**Contact Person**
1. Bank of America Merrill Lynch	27/F Philamlife Tower, 8767 Paseo de Roxas, Makati City 1226 Tel: (632) 8815-5487; 8815-5000 Fax: (632) 815-5582 E-mail: vincent.valdepenas@baml.com	Vincent P. Valdepenas Country Manager
2 Citibank, N.A. (Phils.)	16/F Citibank Plaza, 34th St. cor. Lane S, Bonifacio Global City, Taguig City 1634 Tel: (632) 8894-7700 Fax: (632) 8894-7703 E-mail: aftab.ahmed@citi.com	Aftab Ahmed Chief Executive Officer
3. JP Morgan Chase Bank, N.A.	30/F Zuellig Bldg., Makati Ave. cor. Paseo de Roxas, Makati City 1225 Tel: (632) 8878-1100 Fax: (632) 8885-7929 E-mail: carlos.g.mendoza@jpmorgan.com	Carlos Mendoza Executive Director and Senior Country Officer
Representative Offices		
1. Wells Fargo Bank, N.A.	15/F Tower I, Enterprise Center, 6766 Ayala Ave. cor. Paseo de Rpxas, Makati City 1200 Tel: (632) 8884-8426	Imelda B. Capistrano Senior Vice President & Country Manager

	Fax: (632) 8884-8644 E-mail: Imelda.capistrano@wellsfargo.com	
2. Bank of New York Mellon	10/F Philamlife Tower, 8767 Paseo de Roxas, Makati City 1200 Tel: (632) 8885-0383 Fax: (632) 8885-0382 E-mail: teri.floro@bnymellon.com	Ma. Therese A. Floro Country Executive

Protecting Intellectual Property

Several general principles are important for effective management of intellectual property (IP) rights in the Philippines. First, it is important to have an overall strategy to protect IP. Second, IP may be protected differently in the Philippines than in the United States. Third, rights must be registered and enforced in the Philippines under local laws. For example, U.S. trademark and patent registrations will not protect rights holders' IP in the Philippines. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the world. Protection against unauthorized use in a particular country depends on the national laws of that country. The Philippines is a member of several international copyright treaties and conventions and offers copyright protection to foreign works in accordance with these treaties. For information on Philippine IP laws, visit the Philippine Intellectual Property Office website at https://www.ipophil.gov.ph/.

Granting patents registrations is generally based on a first-to-file (or first-to-invent, depending on the country) basis. Similarly, registering trademarks is based on a first-to-file (or first-to-use, depending on the country), so rights holders should consider how to obtain patent and trademark protection before introducing their products or services to the Philippine market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in the Philippines. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from a local attorney or IP consultant who specialize in Philippine law. The U.S. Commercial Service can provide a list of local lawyers upon request at http://export.gov/philippines/businessserviceproviders/index.asp?bsp_cat=80120000.

While the U.S. Government stands ready to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. In no instance should U.S. Government advice be seen as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit a partner to register IP rights on one's behalf. Doing so may create a risk that the partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Projects and sales in the Philippines require constant attention. It is also recommended that small- and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Philippine and U.S.-based. These include:

- The U.S. Chamber and local American Chamber of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

IP protection resources are available to U.S. rights holders. Resources for U.S. companies on intellectual property include:

For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: 1-866-999-HALT or visit www.STOPfakes.gov.

For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199, or visit http://www.uspto.gov/.

For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: 1-202-707-3000, or visit http://www.copyright.gov/

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, please link to our article on Protecting Intellectual Property and Stopfakes.gov for more resources.

IP Attaché Contact for the Philippines:

Kitisri Sukhapinda, Ph.D., J.D., IP Attaché
U.S. Embassy Bangkok, c/o Foreign Commercial Service,
Room 302, GPF Witthayu Tower A, 93/1 Wireless Road
Bangkok, 10330 Thailand
Telephone: + 662-205-5913
E-mail: kitisri.sukhapinda@trade.gov

Selling to the Public Sector

U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult Advocacy for Foreign Government Contracts for additional information."

One of the biggest customers in the Philippines is the government, which procures through official tenders. U.S. firms interested in selling to the government must first understand the process in order to qualify to participate in such opportunities, and then properly strategize on how to win them.

All procurement of the Philippine government (departments, bureaus, offices and agencies, state universities and colleges, government-owned and/or -controlled corporations, government financial institutions, and local government units) is governed by Republic Act (RA) No. 9184 or the Government Procurement Reform Act (GPRA) and its Implementing Rules and Regulations (IRR) and can be found at:

- https://www.gppb.gov.ph/laws/laws/RA_9184.pdf
- https://www.gppb.gov.ph/assets/pdfs/Updated%202016%20Revised%20IRR%20with%20Table%20of%20Contents.pdf

RA 9184 and its IRR cover all Philippine government-funded procurement of goods, infrastructure projects, and consulting services. They also apply to foreign-funded procurement activities unless another procedure is stipulated in the treaties or agreements under which the procurement is made. The most common example would be procurements financed by development aid, where the procurement is conducted according to the rules of the donor nation, such as Japan.

The Government Procurement Policy Board (GPPB; http://www.gppb.gov.ph/), an agency under the Department of Budget and Management, was established under RA 9184 to be the central procurement policy-making body of the government. The GPPB website contains up-to-date government procurement-related resolutions and guidelines, as well as standard bidding documents and procurement manuals.

Tender opportunities are advertised via the Philippine Government Electronic Procurement System (PHILGEPS) website (https://www.philgeps.gov.ph/) that firms must pay membership fees to be a Platinum Member and bid on tenders. To bid on specific projects, one must also pay for bid documents, ranging in price from $10 to $1500. Appendix 8 of the IRR contains the standardized cost of bid documents based on the approved budget for the contract (ABC).

Projects funded by the Philippine government have a national ownership requirement. A minimum of 60 percent Filipino ownership is required for goods, infrastructure projects and consulting services. U.S. firms interested in participating in tenders should work with a Filipino distributor, or in some cases with a Filipino joint venture partner as very few opportunities allow for foreign firms to bid without a Filipino one. Foreign firms can bid directly when there are no local suppliers able to provide the product and other special circumstances. More information on these special circumstances is available in the IRR, specifically Sections 23.4.1.2 (Goods), 23.4.2.2 (Infrastructure Projects) and 24.3.3 (Consulting Services) and Appendix 9: Guidelines in the Determination of Eligibility of Foreign Suppliers, Contractors, and Consultants to Participate in Government Procurement Projects.

The local partner leads in the many cumbersome bureaucratic procedures. Such procedures include excessive paperwork requirements such as: business registration certificates, mayor's permit, tax clearances, audited financial statements, statements of ongoing contracts for a given period, and statements of single largest completed contract. Section 23 of the IRR lists the required documents for submission. Many defense and ICT firms have expressed concern on submitting some information that cannot be disclosed for national security or business confidentiality reasons.

The standard practice is for tenders to be conducted through competitive bidding. The ABC should be mentioned in the Invitation to Bid and would be the ceiling for the bid price.

Bids are evaluated by adhoc Bids and Awards Committees (BACs), created and disbanded for the specific purpose of evaluating each bid. Members are agency government officials who try to protect themselves from legal action and corruption allegations. For goods and infrastructure projects, the contract is awarded to the bidder with the lowest calculated and responsive bid. For consultancy service, the bidder with the highest rated responsive bid will win the contract.

Retention money or special bank guarantee of at least 1% to up to 5% of the total contract price is required for goods to cover for warranty. For infrastructure projects, the contractor is required to post a warranty security of 5%, 10% or 30% of the total contract price depending on the form of the warranty security.

The "lowest calculated and responsive bid" clause has proven to be a challenge for U.S. firms as the bid specifications do not often take life cycle cost into account. Unless technical experts have a say in the bid specifications, they often are crafted in a manner that allows for the most economical option to be selected without consideration on value, or proper credit given to innovative technologies. BAC officials fear choosing the more expensive option in what may seem to be a violation of the procurement law, even when the option likely has better long-term value.

Procurement methods other than competitive bidding, such as negotiated procurement, direct contracting and limited source bidding, can be used in highly exceptional cases.

While there are significant hurdles in pursuing government tenders, their value may make such pursuit worthwhile. Firms with a local partner, unique product not locally available, and a proper risk hedging strategy can position themselves to secure government business. In fact, many firms have engaged with government stakeholders early on, in anticipation of future tenders. They have helped shape tender specifications to allow for a proper evaluation that takes value into consideration so that the final decision is less likely to be made by cost.

In 2019, the World Trade Organization Committee on Government Procurement approved the Philippines' application for observer status.

The Philippines is not a party to a free trade agreement (FTA) with the United States that contains commitments on government procurement.

It is important to note that there have been many reported scams from entities impersonating the Philippine Government. Such entities have reached out directly to U.S. firms, and requested deposits in order to fulfill tenders with the Philippine Government. It is important for firms to properly conduct due diligence when contacted by such agencies, and the Commercial Service can help. The Philippine Government rarely does direct procurements outside of PHILGEPS. While it may not be uncommon to have to pay for bid documents, a prospective requesting a deposit for a tender should raise some questions.

U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult Advocacy for Foreign Government Contracts for additional information.

Financing of Projects

Official Development Assistance (ODA)

Official Development Assistance (ODA) from foreign funding agencies has been a key source of financing for major projects in the Philippines. Multilateral organizations such as the World Bank (WB), the Asian Development Bank (ADB), the UN System; and bilateral institutions within the Governments of Japan (Japan International Cooperation Agency), the United States (U.S. Agency for International Development), and Australia (Australia Department of Foreign Affairs and Trade) are among the leading sources of ODA.

According to the Philippine National Economic and Development Authority (NEDA), the total ODA Portfolio as of December 2018 amounted to US$16.86 billion consisting of 76 loans (US$14.46 billion) and 313 grants (US$2.40 billion). Japan provided the bulk of ODA assistance to the country accounting for 37 percent share (USD6.24 billion for 35 loans/grants) of the active ODA portfolio, followed by ADB with 22 percent (USD3.64 billion for 33 loans/grants) and WB with 19 percent (USD3.13 billion for 22 loans/grants). The following table provides the percentage distribution of active ODA by fund source.

Philippines: Total ODA by Fund Source in US$ million

Fund Source	Loans	Grants	Total Count	Loan Net Commitment (US$ M)	Grant Amount (US$ M)	Total ODA	% Share on Amount
Japan	24	11	35	6132.86	106.76	6239.62	35.69
ADB	18	15	33	3561.70	74.64	3636.34	21.56
WB	12	10	22	3094.21	33.43	3127.64	18.54
USA	-	57	57	-	886.47	886.47	5.26

Korea	6	12	18	653.38	83.70	737.08	4.37
Australia	-	53	53	-	476.19	476.19	2.82
UN System**	5	134	139	108.97	349.28	458.25	2.72
China	2	2	4	273.3	91.62	364.92	2.16
France	4	3	7	321.18	1.31	322.49	1.91
AIIB	1	-	1	207.6	-	207.6	1.23
EU	-	6	6	-	148.74	148.74	0.88
Germany	-	6	6	-	73.12	73.12	0.43
Canada	-	17	17	-	55.80	55.80	0.33
OFID	2	-	2	51.61	-	51.61	0.31
Italy	1	2	3	35.63	5.55	41.18	0.24
Austria	1	-	1	24.44	-	24.44	0.14
New Zealand	-	3	3	-	8.32	8.32	0.05
Spain	-	6	6	-	8.10	8.10	0.5
TOTAL	76	338	414	14,464.48	2,403.02	16,867.90	100.00

Source: http://www.neda.gov.ph/wp-content/uploads/2020/01/ODA-2018-As-of-January-29.-2020.pdf

*Loans under UN System pertains to IFAD loans

**UN System is composed of FAO, IFAD, ILO, IOM, UN Habitat, UN Women, UNDP, UNFPA, UNIDO, UNOPS, WFP, and WHO.

U.S. Agency International Development (USAID)

The U.S., through USAID (https://www.usaid.gov), allocated approximately US$114.5 million in development assistance grant funds to the Philippines in fiscal year (FY) 2019. USAID activities are implemented through contracts, grants, and cooperative agreements with American and Philippine entities, and international organizations. USAID's programs in the Philippines encompass a wide range of activities aimed at accelerating inclusive and market-driven economic growth; promoting democracy and citizen-responsive governance; improving basic education, with a focus on early childhood education; expanding quality health access; and enhancing environmental and community resilience to withstand shocks and transnational threats. FY 2019 funding also includes U.S. assistance to fight the COVID-19 pandemic.

U.S. bidders are welcome to join foreign-funded projects where International Competitive Bidding (ICBs) procedures are observed. Multilateral Development Banks (MDBs), such as the World Bank and the Asian Development Bank (ADB), observe this practice, as do U.S. Government agencies. The websites of these organizations are good sources of project and business opportunities and are updated regularly. Information on U.S. Government funding opportunities may also be found in the Federal Business Opportunities website: https://beta.sam.gov, and Federal Grants (https://www.grants.gov)

U.S. Financing Institutions

U.S. financing institutions such as the Export-Import (http://www.exim.gov) Bank and the Development Finance Corporation (DFC: https://www.dfc.gov) continue to explore opportunities in the Philippines. The U.S. International Development Finance Corporation (DFC, formerly Overseas Private Investment Corporation (OPIC)) provides debt financing, partial credit guarantees, political risk insurance, equity investment and technical assistance grants to support U.S. and other investors and their investments. The Ex-Im Bank, the official export credit agency of the United States, provides export credit insurance, loan guarantees, and project and structured finance for U.S. exporters and foreign buyers of U.S. goods and services.

For more information on DFC's programs in Asia-Pacific:

Geoffrey Tan
Managing Director, Asia Pacific
Development Finance Corporation
Email: geoffrey.tan@dfc.gov

U.S. Trade and Development Agency (USTDA)

The U.S. Trade and Development Agency (USTDA) connects America's private sector to priority infrastructure projects in emerging markets. The Agency helps build the infrastructure for trade, match U.S. expertise with development needs, and facilitate business partnerships between U.S. industry and overseas project sponsors. These partnerships allow the Agency to target its program investments toward projects that are most likely to be implemented using U.S. goods and services.

USTDA achieves its mission by funding feasibility studies, technical assistance and pilot projects that integrate the innovation and expertise of U.S. companies. The Agency also connects overseas buyers with U.S. sellers through its reverse trade missions, industry conferences and expert workshops.

USTDA is unique among federal agencies: it is mandated to promote U.S. industry's participation in infrastructure projects at the critical early stages when design choices and technology options are being determined and defined. The Agency also places particular emphasis on vital economic sectors: energy, transportation, information and communication technology, healthcare and agribusiness.

USTDA achieves an incredible rate of return on U.S. taxpayer dollars, generating $111 of U.S. exports for every $1 invested. The Agency has generated over $73 billion in U.S. exports since its inception, including over $6.7 billion new exports identified in FY 2019 alone.

USTDA's regional office, covering Southeast Asia and the Pacific, is located at the U.S. Embassy in Bangkok, Thailand. USTDA's Southeast Asia staff members can be contacted either in the Washington, D.C.-area headquarters or in Bangkok.

U.S. companies can access more information on USTDA's program and proposal submission requirements through https://ustda.gov/work/propose-a-project/ or connect with USTDA:

In Thailand:

Brandon Megorden,
Regional Manager for Asia,
Email: bmegorden@ustda.gov

In Vietnam:

Tuyet Trees
USTDA Representative, Vietnam and Southeast Asia
Email: ttrees@ustda.gov

In Washington, DC:

Verinda Fike, Regional Director for the Indo-Pacific
Email: vfike@ustda.gov

Shannon Roe, Senior Manager and Energy Projects Lead
Email: sroe@ustda.gov

Alissa Lee, Indo-Pacific Manager for Aviation, Healthcare and Agribusiness
Email: alee@ustda.gov

Jeffrey Philips, Indo-Pacific Manager for Digital Economy
Email: jphillips@ustda.gov

Kevin Toohers, Indo-Pacific Manager for Surface Transport
Email: ktoohers@ustda.gov

Jennifer Walters, Indo-Pacific Events Coordinator
Email: jwalters@ustda.gov

Multilateral Development Banks and Financing Government Sales.

Price, payment terms, and financing can be a significant factor in winning a government contract. Many governments finance public works projects through borrowing from the Multilateral Development Banks (MDB). A helpful guide for working with the MDBs is the **Guide to Doing Business with the Multilateral Development Banks**. The U.S. Department of Commerce's (USDOC) International Trade Administration (ITA) has a Foreign Commercial Service Officer stationed at each of the five different Multilateral Development Banks (MDBs): the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank; and the World Bank.

Learn more by contacting the:

Commercial Liaison Office to the African Development Bank
Commercial Liaison Office to the Asian Development Bank
Commercial Liaison Office to the World Bank

Trade Financing

Methods of Payment:

For export transactions, the choice of method of payment depends on two factors: the existing relationship between the exporter (seller) and the importer (buyer) and the mutual agreement on the terms and conditions of the sale.

Cash in Advance

Cash In Advance (C.I.A.) is practiced only to a limited extent due to existing Philippine BSP (Central Bank) regulations on acquiring foreign currency. Typically, buyers with existing foreign currency accounts with banks operating in the Philippines may consider doing a C.I.A. wherein cash payment is remitted even before the goods are shipped. On the part of the seller, C.I.A. is ideal for goods that are custom-made, such as specialized equipment.

For first-time transactions between the exporter and the importer, or in situations in which the two have not fully established their business relationship, a Letter of Credit (L/C) is a common and secure method of payment. Under this mechanism, the buyer establishes credit with his/her local bank of choice and describes in full detail the terms of the sale (i.e., description of items, price, documentary requirements, etc.). The L/C is opened on account of the buyer in favor of the seller. Essentially, the L/C serves as a demand draft, a promise to pay on the part of the importer with the support of the bank responsible for issuing the payment to the exporter. Once the exporter is in full compliance with all the requirements, payment is made into an effect within a specified time frame, typically 30 or 60 days or whatever has been agreed upon. Any discrepancies regarding the L/C may result in delays, additional documentary stamp tax or even non-payment. Bank charges apply when securing the L/C. A confirmed irrevocable, documentary L/C "confirmed by a U.S. bank" is recommended.

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

- Documents Against Acceptance (D/A): The exporter extends credit to the importer for a certain period of time. Terms vary, usually 30 to 60 days after the bill of lading date or the invoice date, depending on what was agreed upon. The seller retains the title documents and forwards them to a collecting bank with instructions to release said documents to the buyer only if the buyer issues a time draft or presents an acceptable bill of exchange.
- Documents against Payment (D/P): The documents transferring the title to the goods are not released to the buyer by the collecting bank unless the bank receives payment from the buyer.
- Open Account (O/A): When there is a high level of trust and the buyer is of reputable standing with the seller, documents transferring title to the goods are sent directly to the buyer (instead of the collecting bank, as in the case of D/A) without guarantee of payment. The buyer remits payment upon maturity; terms vary from 30 days to 180 days, depending on the agreement. Subsidiaries of multinational companies operating in the Philippines (especially those in the oil and pharmaceutical sectors) are prime users of O/A.
- Direct Remittance: As with O/A significant mutual trust is required. Instead of a term transaction, the seller requires the buyer to pay immediately upon receipt of the document transferring the title to the goods.

Credit Rating Agency

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

Collection Agencies

In cases of non-payment or delinquent accounts, the use of collection agencies may be considered. There are several collection agencies operating in the Philippines, typically on a "no collect, no pay" arrangement for collection cases that have not yet been elevated to the courts. A typical collection time frame ranges from 30 to 90 days (longer if it is outside the Metropolitan Manila area), wherein the collection agent issues a demand letter signed by a lawyer. Some agents offer collection services only, while others can help facilitate filing a case in court in instances where the respondent cannot comply with the demand letter. Service fees vary depending on the nature and value of the transaction, but agents typically charge a percentage of the amount collected (current rates range from 20 percent to 40 percent). If the case is filed in court, legal and other fees will apply. It is best to seek local legal representation on non-payment cases, especially those involving significant amounts.

Primary credit or charge cards used

Most Philippine merchants accept Visa, MasterCard, American Express, Diners Club, Discover credit cards.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at www.Export.gov/TradeFinanceGuide.

Banking Systems:

The BSP allows Philippine residents and non-residents to purchase foreign exchange (FX) from authorized agent banks (AABs) and/or banks' subsidiary/affiliate foreign exchange corporations (AAB-forex corps) and from non-bank entities operating as foreign exchange dealers (FXDs) and/or money changers (MCs) to fund legitimate foreign exchange obligations, subject to the provision of information and/or documents. The sale of FX by AABs and AAB-forex corps is governed by the Manual of Regulations on Foreign Exchange Transactions, issued under Circular No. 645 in February 2009, as amended. The sale of FX by FXDs/MCs is governed by Circular No. 471, issued in January 2005, as amended

FX purchases from AABs and AAB-forex corps for trade and non-trade current account transactions (such as travel, medical and educational expenses, royalties, copyright, patent, franchise, and licensing fees) of up to US$500,000 for individuals and US$1,000,000 for corporates/other entities or their equivalent, in other foreign currencies require only the submission of a BSP-prescribed application form to purchase FX to the foreign-exchange selling institution; amounts in excess also require the submission of supporting documents.

The BSP allows submission of supporting documents through electronic means for: a) registration of private sector foreign loans without public sector guarantee; b) registration of inward investments; c) sale of foreign currency by banks covering FX transactions.

The BSP does not require imports to be registered under any mode of payment but does require banks to report such transactions to the BSP prior to purchase of FX for payment. FX purchases from AABs and AAB-forex corps for import payments may be remitted directly by the FX-selling institution to the non-resident beneficiary's account or credited to the importer's foreign currency deposit account (with the same or different AAB) for eventual remittance by the depository AAB to the non-resident beneficiary.

Although there are some exceptions, public sector foreign/foreign currency loans generally require prior BSP approval pursuant to existing laws, including the 1987 Philippine Constitution. Loan proceeds should be deposited with the BSP pending utilization.

Government-guaranteed foreign/foreign currency borrowings by the private sector also require prior BSP approval. Purely private sector loans do not require approval but must be reported to the BSP. Private sector borrowing should be registered with the BSP whether or not these are subject to prior BSP approval to be eligible to source FX for debt servicing from AABs and/or AAB-forex corps.

Registration of foreign investments either with the BSP or custodian banks is optional, unless the foreign exchange which will be used to service the repatriation of capital and/or the remittance of related earnings will be sourced from AABs and AAB-forex corps. Registration can be filed with the BSP within the one-year prescriptive period, free of charge.

FX purchases from FXDs/MCs for non-trade current account purposes are allowed up to US$10,000 or its equivalent without additional supporting documents other than a BSP-prescribed application form to purchase foreign currency, but not to exceed US$50,000 per month per customer. FX purchases from FXDs/MCs for other than non-trade current account purposes require submission of the BSP-prescribed application form to purchase FX and supporting documents on the underlying transactions, regardless of amount.

Additional information on foreign exchange and remittance policies can be found in Parts 1 and 6 of the Investment Climate Statement in this Country Commercial Guide. More detailed information, including operational relief measures related to the COVID-19 pandemic. More detailed information is available at:

http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT.pdf
http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT-faas.zip
http://www.bsp.gov.ph/downloads/Regulations/attachments/2005/c471.pdf
http://www.bsp.gov.ph/downloads/regulations/atachments/2009/c652.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2017/c942.pdf
http://www.bsp.gov.ph/downloads/Publications/FAQs/faqfxreg.pdf

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Foreign Exchange Controls:

The BSP allows Philippine residents and non-residents to purchase foreign exchange (FX) from authorized agent banks (AABs) and/or banks' subsidiary/affiliate foreign exchange corporations (AAB-forex corps) and from non-bank entities operating as foreign exchange dealers (FXDs) and/or money changers (MCs) to fund legitimate foreign exchange obligations, subject to the provision of information and/or documents. The sale of FX by AABs and AAB-forex corps is governed by the Manual of Regulations on Foreign Exchange Transactions, issued under Circular No. 645 in February 2009, as amended. The sale of FX by FXDs/MCs is governed by Circular No. 471, issued in January 2005, as amended.

FX purchases from AABs and AAB-forex corps for trade and non-trade current account transactions (such as travel, medical and educational expenses, royalties, copyright, patent, franchise, and licensing fees) of up to US$500,000 for individuals and US$1,000,000 for corporates/other entities or their equivalent, in other foreign currencies require only the submission of a BSP-prescribed application form to purchase FX to the foreign-exchange selling institution; amounts in excess also require the submission of supporting documents.

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The BSP does not require imports to be registered under any mode of payment but does require banks to report such transactions to the BSP prior to purchase of FX for payment. FX purchases from AABs and AAB-forex corps for import payments may be remitted directly by the FX-selling institution to the non-resident beneficiary's account or credited to the importer's foreign currency deposit account (with the same or different AAB) for eventual remittance by the depository AAB to the non-resident beneficiary.

Although there are some exceptions, public sector foreign/foreign currency loans generally require prior BSP approval pursuant to existing laws, including the 1987 Philippine Constitution. Loan proceeds should be deposited with the BSP pending utilization.

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Registration of foreign investments either with the BSP or custodian banks is optional, unless the foreign exchange which will be used to service the repatriation of capital and/or the remittance of related earnings will be sourced from AABs and AAB-forex corps. Registration can be filed with the BSP within the one-year prescriptive period, free of charge.

FX purchases from FXDs/MCs for non-trade current account purposes are allowed up to US$10,000 or its equivalent without additional supporting documents other than a BSP-prescribed application form to purchase foreign currency, but not to exceed US$50,000 per month per customer. FX purchases from FXDs/MCs for other than non-trade current account purposes require submission of the BSP-prescribed application form to purchase FX and supporting documents on the underlying transactions, regardless of amount.

Additional information on foreign exchange and remittance policies can be found in Parts 1 and 6 of the Investment Climate Statement in this Country Commercial Guide. More detailed information, including operational relief measures related to the COVID-19 pandemic. More detailed information is available at:

http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT.pdf
http://www.bsp.gov.ph/downloads/Regulations/MORFXT/MORFXT-faas.zip
http://www.bsp.gov.ph/downloads/Regulations/attachments/2005/c471.pdf
http://www.bsp.gov.ph/downloads/regulations/atachments/2009/c652.pdf
http://www.bsp.gov.ph/downloads/regulations/attachments/2017/c942.pdf
http://www.bsp.gov.ph/downloads/Publications/FAQs/faqfxreg.pdf

Contact:

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U.S. Banks and Local Correspondent Banks:

This information is derived from the State Department's Office of Investment Affairs' 2018 Investment Climate Statement. Any questions on the ICS can be directed to EB-ICS-DL@state.gov.The commercial banking system includes three U.S. foreign-branch banks: Citibank, which operates full-service Citibank branches in key locations in Metro Manila and Metro Cebu; Bank of America; and JP Morgan Chase. Two U.S. banks have representative offices in the country: Wells Fargo Bank and Bank of New York Mellon.Reflecting a long history of economic and political ties, all commercial banks in the Philippines have correspondent U.S. banking relationships. The best way for a firm to determine whether its U.S. bank has a correspondent bank in the Philippines is by checking with the U.S. bank.

Commercial Banks	**Address and Contact #**	**Contact Person**
1. Bank of America Merrill Lynch	27/F Philamlife Tower, 8767 Paseo de Roxas, Makati City 1226 Tel: (632) 8815-5487; 8815-5000 Fax: (632) 815-5582 E-mail: vincent.valdepenas@baml.com	Vincent P. Valdepenas Country Manager
2 Citibank, N.A. (Phils.)	16/F Citibank Plaza, 34th St. cor. Lane S, Bonifacio Global City, Taguig City 1634 Tel: (632) 8894-7700	Aftab Ahmed Chief Executive Officer

	Fax: (632) 8894-7703 E-mail: aftab.ahmed@citi.com	
3. JP Morgan Chase Bank, N.A.	30/F Zuellig Bldg., Makati Ave. cor. Paseo de Roxas, Makati City 1225 Tel: (632) 8878-1100 Fax: (632) 8885-7929 E-mail: carlos.g.mendoza@jpmorgan.com	Carlos Mendoza Executive Director and Senior Country Officer
Representative Offices		
1. Wells Fargo Bank, N.A.	15/F Tower I, Enterprise Center, 6766 Ayala Ave. cor. Paseo de Rpxas, Makati City 1200 Tel: (632) 8884-8426 Fax: (632) 8884-8644 E-mail: Imelda.capistrano@wellsfargo.com	Imelda B. Capistrano Senior Vice President & Country Manager
2. Bank of New York Mellon	10/F Philamlife Tower, 8767 Paseo de Roxas, Makati City 1200 Tel: (632) 8885-0383 Fax: (632) 8885-0382 E-mail: teri.floro@bnymellon.com	Ma. Therese A. Floro Country Executive

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Business Travel

Business Customs:

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

As a show of respect and acknowledgement of certain social hierarchies, Filipinos usually address people by their titles (for example, Architect Cruz, Attorney Jose, Dr. Romero), although most contacts will quickly insist on using a more informal approach (such as addressing them by their nicknames) after the initial introductions. When dealing with high-ranking government and military officials, it is best to address them by their formal titles (e.g., Secretary Flores, General Alfonso, Director Santos, Admiral Lopez, etc.).

Meetings do not necessarily start promptly, so allow for delays due to traffic, inclement weather, prior engagements or last-minute changes in the schedule or itinerary, especially when meeting with VIPs or high-ranking officials. If a Filipino client is running late for an appointment, their assistant or the individual will typically personally call or advise if he or she is on their way. Video conferencing and online meetings are becoming popular and widely-used means of conducting business meetings.

Handing out business cards (preferably bearing your position or title) is standard practice, although the manner in which the cards are exchanged tends to be rather informal as compared with other Asian cultures. It is common for government contacts/government agencies to use Gmail or yahoo accounts as their primary or alternate business email address. If a Filipino contact gives you a personal number (home or mobile phone) aside from what is indicated on the business card, it is usually an invitation to call, and is a good sign for establishing cordial relations.

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

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

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

English is the official business language, including for most correspondence, contracts, and other documents. Among Filipinos, however, it is common to hear “Taglish” (a combination of Tagalog, a regional dialect from which the Filipino language is largely based, and English, or shifting back and forth between the two languages) during informal conversations.

Body language and hand gestures (for example, a raised eyebrow, a faint smile, a scratch in the head) are integral to how Filipinos express themselves. Using social media messaging apps such as WhatsApp

and Viber are now popular means of communicating and reaching out to business contacts, clients, peers. Texting, or sending short, oftentimes abbreviated messages through mobile phones is another method of business communication Do not be surprised if, in the middle of a meeting, people suddenly take out their mobile phones to read or send messages or to answer a call.

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

Filipinos tend to be lax in replying to RSVPs. Telephone follow-ups are best, at least one or two days before the event (any prior confirmation may still need following up later on). In hosting events, private or professional, the staff are usually asked to track down guests for a confirmation reply. In a formal occasion, seating is arranged, where the head table is usually reserved for VIPs. A guest speaker is often the highlight of a dinner or formal gathering. Light entertainment is not unusual. In most instances, important guests accept requests to sing.

The holiday season (the Philippines celebrates one of, if not the longest, Christmas seasons in the world) is also a time to show appreciation to people with whom you have regular dealings, for example, the security guard, doorman, messenger, the secretary or assistant, as well as regular and valued clients, through small tokens. Gifts could range from baskets of goodies to company giveaways to plain calendars or office items with your company logo.

It is best to attempt to accomplish business objectives in mid-morning or early afternoon. Many business deals are completed informally during a lunch or dinner appointment, an intimate social gathering, or over a round of golf. Never attempt to do business on a weekend or a holiday, unless the Filipino contact has specifically indicated his or her availability on such days. As a predominantly Catholic country, the Philippines observes the Lenten season and all commercial and business establishments are closed on Holy Thursday and Good Friday. Likewise, beginning on or around the week of December 15 through the end of the year, office-related activities tend to wind down to give way to holiday parties. Important meetings should be scheduled prior to those dates.

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

Travel Advisory:

The Department of State's travel advisory for the Philippines can be found at:

https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/Philippines.html

Visa requirements:

General Provisions:

U.S. citizens who are traveling to the Philippines for business and tourism purposes can enter the Philippines without visas for a stay not exceeding thirty (30) days, provided they hold valid tickets for their return journey to port of origin or next port of destination and their passports are valid for a period of at least six (6) months beyond the contemplated period of stay. The allotted thirty (30) days cannot be extended immediately at port of entry. http://www.dfa.gov.ph/index.php/list-of-countries-for-21-day-visa.

U.S. citizens who wish to stay for more than thirty (30) days should apply to the BI offices or Satellite offices. The applicant must pay the corresponding immigration fees after securing their extension. http://www.dfa.gov.ph/index.php/guidelines-requirements.

Information on fees for extension of stay and other Immigration fees are available at the Bureau of Immigration website. http://www.immigration.gov.ph/visa-requirements/non-immigrant-visa/temporary-visitor-visa/extension-of-authorized-stay-beyond-59-days (www.immigration.gov.ph)

U.S. Companies that require travel of foreign businesspersons to the United States are advised that security evaluations are handled via an interagency process. Visa applicants should go to the following link(s): State Department Visa Website

Currency:

The Philippine Peso is the local currency in the Philippines. The currency code for Pesos is PHP.

Currency exchange centers/money changers can be found in commercial centers all over the country. The U.S. Dollar is the most commonly exchanged currency. Other currencies such as Euros and UK Pounds can also be exchanged in banks and hotels.

Major credit cards and debit cards are widely accepted in most establishments. Banks are generally open from 9am to 4pm, Monday to Friday, with some open on the weekends. 24-hour ATMs can be easily found in metropolitan areas.

Telecommunications/Electronics:

The Philippine Long-Distance Telephone Company (PLDT) and Globe Telecom are the county's two telecommunication carriers.

Mobile phone services in the Philippines are affordable at US$ 0.15 average per minute call, while an SMS or text message costs US$0.02. With the cheap rate, Filipinos prefer texting than phone calls. This is also because the mobile signal is weak due to a lack of cell sites.

Broadband services are also available at home and for office use. Subscribers should expect the same rate similar in the U.S. Five-star hotels in the Philippines offer free Wi-Fi service, available in shopping malls, dining establishments, and coffee shops. However, the Philippines' average internet speed is considered among the slowest and most expensive in the Asia Pacific. According to OOKLA's Speedtest Global Index, the Philippines' fixed broadband internet speed is 22.31 Mbps in July 2020. Mobile broadband speed is 14.23 Mbps in July 2020.

Electrical outlets in the Philippines use 220 volts. This is compatible with most electronic gadgets that allow 110-220 volts.

Transportation:

Many major international airlines fly between Manila and the United States on a regular basis. Typically, these flights are indirect with layovers or stopovers before they reach their final destination (e.g., Delta Airlines flies from Manila to the U.S. via Narita and Incheon; United flies from Manila to Mainland U.S. via Guam). New direct flights are available to the U.S. on non-U.S. carriers.

Within the Philippines, one can travel to most parts of the country by land, air, or sea with relative ease. For land travel, the quality of the road network is quite varied. Distances that may be covered quickly in the United States typically take longer in the Philippines, due to insufficient road quality and congestion. An extensive road network links most of the archipelago.

For first-time visitors to major urban cities such as Metro Manila, the use of accredited hotel taxis with the assistance of the hotel staff is more dependable than metered taxis hailed on the street. When using a metered cab, ask the driver to turn on the meter as you enter to avoid being overcharged. Hotel taxis charge a flat rate for travel to specified locations. It is best to ask the hotel staff or a local business contact how long it would take to reach one’s destination, taking into account such factors as traffic conditions during peak driving hours and alternate routes. When taking a regular cab, it would help to know the typical cab fare to avoid being overcharged. Many taxi fleets now offer services.

Car rentals are also available with or without a driver/chauffeur, and costs will vary depending on the length of use, the type of car, and the itinerary. U.S. franchises such as Avis, Hertz, and Budget operate in the Philippines and accept an international driver's license for up to 60-90 days.

Transport network vehicle services, such as Grab, are also available in major cities like Metro Manila, Metro Cebu, and Davao.

Buses, elevated rail transport such as the Light Railway Transit (LRT) and the Metro Rail Transit (MRT), and “jeepneys” transit major and minor routes within Metro Manila and serve the general commuting public. They are not recommended for business travelers in Manila. UV Express, a type of share taxi service, is also an alternative mode of public transportation. In most provinces and major cities outside Manila, buses, jeepneys, and tricycles are the more typical modes of land transport. Overcrowding is not uncommon.

The Philippines has over 70 airports, with four major international airports: Ninoy Aquino International Airport (NAIA) in Manila, Clark International Airport in Pampanga, Mactan Cebu International Airport (MCIA), and Davao International Airport. The country’s primary international gateway, NAIA, currently operates four terminals in Manila, one of which is used exclusively by flag carrier Philippine Airlines for its domestic and international routes.

Passengers are required to be at the airport at least two hours before departure for domestic flights and three hours for international flights (particularly on U.S. - bound flights). Terminal fees are charged for departing passengers on some domestic and international airports. Delays are common due to airport congestion or weather.

Maritime transport is a major conduit for moving goods and people. Inter-island vessels or ferries service major island routes. Being an archipelago, the Philippines has more than 1,000 ports, about a dozen of which are major international ports that serve as cargo and/or passenger terminals. Travel by boat or

ferry tends to take longer and is less convenient than air travel, but there are areas in the Philippines that can only be reached through this mode of transport. Roll-on, roll-off vessels (RO-RO) carrying passengers and cargo are also available to service inter-island travel and commerce. Ferry transport in recent years has experienced serious accidents with significant fatalities.

Language:

Filipino/Tagalog is the official national language, although over 100 languages and dialects are spoken throughout the Philippines. English is widely spoken and is the primary language in business communication.

It is common to hear Filipinos use a mixture of English and Filipino/Tagalog words or phrases, known as "Taglish", in their everyday conversations. A steadily dwindling minority still speak Spanish, which had at one time been an official language. In provinces where Filipino is not the lingua franca, primary educational instruction is conducted in vernacular languages.

Health:.

Major cities in the Philippines have modern and well-equipped hospitals and medical facilities that meet the general healthcare needs of business travelers. Many of them are Joint Commission International (JCI) - approved (medical facilities) or are in the process of obtaining JCI approval. These hospitals employ excellent medical staff, some of whom are U.S. Board Certified. The number of nurses and other medical staff are sometimes inadequate as the Philippines loses healthcare professionals who leave the country to seek better employment opportunities abroad.

Larger pharmacies in the Philippines stock most standard medicines at prices equivalent to those in the U.S. Vitamins, over-the-counter medicines, and first aid supplies are available locally. Medical fees are reasonable and pharmaceuticals are widely accessible.

The general level of sanitation in the Philippines is lower than in the United States. Overpopulation has strained water supply, sewage, garbage disposal, street cleaning, and utilities.

Americans are advised not to drink untreated water. Bottled beverages are inexpensive, plentiful and safe. Ice is suspect. It is not advisable to buy food from street peddlers.

Occasional gastrointestinal upsets caused by poor sanitary conditions, colds, and other respiratory ailments are unavoidable due to the high level of air pollution, if staying in Manila for an extended period.

Overexertion and excessive fatigue should be avoided, as the tropical environment makes for rapid dehydration.

The Philippines has seen many outbreaks of emerging infectious diseases and continues to be susceptible to threat of re-emerging infections such as leptospirosis, dengue, meningococcemia, tuberculosis. The current Corona Virus situation emphasizes the risks and highlights the need to improve preparedness at local, national and international levels for against future pandemics. New pathogens will continue to emerge and spread across regions and will challenge public health as never before signifying grim repercussions and health burden. These already cause countless morbidities and mortalities, disrupting trade and negatively affect the economy. There are several social determinants contributing to the emergence of novel infectious diseases and resurgence of controlled or eradicated infectious diseases in our country. These contributing factors are namely: (1) Demographic factors like the population distribution and density, (2) international travel/ tourism and increased OFWs, (3) Socio-economic factors and (4) Environmental factors. The latter includes the Philippines' vulnerability to disasters, man- made ecological changes, and the urbanization which encroaches and destroys the animal habitats.

Emerging and Re-emerging Infectious Diseases are unpredictable and create a gap between planning and concrete action. To address this gap, there is a need to come up with proactive systems that would ensure preparedness and response in anticipation to negative consequences that may result in pandemic proportions of diseases. Proactive and multi- disciplinary preparedness must be in place to reduce the impact of the public the health threats.

Updates on diseases and health alerts are available from the Philippine Department of Health (DOH) website: www.doh.gov.ph. More information and the latest updates on the Covid-19 situation in the Philippines are available in the following DOH links: DOH Official Website (press releases): https://www.doh.gov.ph/press-releases DOH

Covid – 19 Tracker: https://www.doh.gov.ph/2019-nCoV DOH Official Facebook Page: https://www.facebook.com/OfficialDOHgov/ DOH Healthy Pilipinas Official Facebook Page: https://facebook.com/DOHhealthypilipinas/.

A list of recommended vaccinations when traveling to the Philippines can be found on the Centers for Disease Control and Prevention's (CDC) website:

https://wwwnc.cdc.gov/travel/destinations/traveler/none/philippines.
https://wwwnc.cdc.gov/travel/destinations/clinician/none/philippines

Local time, business hours, and holidays:

Philippine Standard Time is 8 hours ahead of Coordinated Universal Time/Greenwich Mean Time (UTC/GMT), and 12 hours ahead of U.S. Eastern Standard Time (EST). The Philippines does not observe daylight savings time.

U.S. Government offices in the Philippines are open from 7:30 a.m. to 4:30 p.m. Most private and GPH offices are open from 8:00 a.m. to 5:00 p.m. or from 9:00 a.m. to 6:00 p.m., Monday - Friday. Some private companies hold office on Saturday from 9:00 a.m. to 12:00 p.m. Eight hours per day or 48 hours per week is the maximum period an employee may be required to work at a regular pay rate.

Most shopping centers are open seven days a week with variable opening hours, which may be extended during major holidays.

All offices close during the following public holidays*: January 1: New Year's Day; Easter Holidays: March to April Maundy Thursday and Good Friday; April 9: Bataan & Corregidor Day and Heroism Day; May 1: Labor Day; June 12: Philippine Independence Day; August 21: Ninoy Aquino Day; August 27: National Heroes Day Holiday; November 1: All Saints' Day; November 30: Bonifacio Day; December 25: Christmas Day; December 30: Rizal Day. and December 31: Last Day of the Year. Eid-ul-Fitr and Chinese New Year, November 2, and December 24 have been declared as additional special non-working holidays.

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

A complete list of Philippine Holidays for 2020 can be found in the government website: https://www.officialgazette.gov.ph/nationwide-holidays/

A complete list of U.S. Embassy Holidays can be found on the embassy website: https://ph.usembassy.gov/holiday-calendar/.

Temporary Entry of Materials and Personal Belongings:

A businessperson hand-carrying a personal laptop computer does not have to post a cash bond after demonstrating that the item is a personal effect and is not new. Laptops, considered tools of the trade, may be cleared without the necessary documentations such as a Certificate of Identification upon the business person's arrival. Only one laptop per businessman is allowed under existing regulations.

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Investment Climate Statement (ICS)

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Please refer to the following url: https://state.gov/reports/2019-investment-climate-statements/philippines/.

Contact for More Information on the Investment Climate Statement

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Political Environment

For background information on the political and economic environment of the Philippines, please read U.S. Department of State Background Notes