PHILIPPINES: COMPANY PERSPECTIVES

AN ITC SERIES ON NON-TARIFF MEASURES

International Trade Centre

TRADE IMPACT FOR GOOD

PHILIPPINES:
COMPANY PERSPECTIVES

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NON-TARIFF MEASURES

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Country report, part of a series of publications assessing the impact of Non-Tariff Measures (NTMs) on the business sector, based on a large-scale survey conducted in the Philippines with companies directly reporting burdensome NTMs - analyses survey findings and compares them to other sources on NTMs to identify regulatory, procedural and infrastructural obstacles in the Philippines and its partner countries; covers agro-food and manufacturing sectors including electronics, furniture, chemicals, handicrafts, automotive, and garments; outlines policy options discussed at stakeholder meeting; includes NTM classification, and bibliographical references (p.73).

Descriptors: **Philippines, Non-Tariff Measures, Trade Policy, SMEs.**

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English

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Acronyms

Unless otherwise specified, all references to dollars ($) are to United States dollars, and all references to tons are to metric tons. References to PHP are to Philippine Pesos.

ASEAN	Association of South East Asian Nations
CNIS	Comprehensive National Industrial Strategy
DBM	Department of Budget and Management
DFA	Department of Foreign Affairs
DTI	Department of Trade and Industry
EPZ	Export Processing Zone or Ecozone
ERIA	Economic Research Institute for ASEAN and East Asia
EU-TRTA	European Union Trade Related Technical Assistance
EU	European Union
FDI	Foreign direct investment
GDP	Growth domestic product
GSP	Generalized System of Preferences
IDC	Industry Development Council
ILO	International Labour Organization
IPP	Investment Priority Plan
IT-BPO	Information Technology - Business Process Outsourcing
ITC	International Trade Centre
MRP	Manufacturing Resurgence Program
NEDA	National Economic Development Authority
OBG	Oxford Business Group
OFW	Overseas Foreign Workers
PSA	Philippine Statistics Authority
PDP	Philippine Development Plan
PEDP	Philippine Export Development Plan
PIDS	Philippine Institute of Development Studies
RCA	Relative Comparative Advantage
RCEP	Regional Comprehensive Economic Partnership
RPN	Regional Production Network
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

Executive summary

Non-tariff measures are a key challenge in today's globalized world

With the advent of the regionalization of supply chains and the widespread reduction of global tariff levels, non-tariff measures (NTMs) have emerged as growing obstacles to international trade for importers and exporters. NTMs particularly concern exporters and importers in developing and least developed countries, who struggle with complex requirements.

ITC survey on non-tariff measures

ITC survey reports present results from large-scale company surveys on NTMs and related procedural obstacles (POs). They provide detailed qualitative impact analysis addressing key stakeholders' concerns, evaluating major export sectors and trading partners, and covering around 35 developing countries. The survey in the Philippines was implemented August 2014 to April 2016. A registry of over 5,000 exporting and importing firms was compiled and used to interview a sector-representative sample of companies.

Over 1,000 interviews and focused group discussions with seven key sectors

Out of 1,149 companies interviewed via phone screen (PS), 845 companies admitted to face difficulties dealing with Philippine or partner countries' regulations. Among the affected companies, 305 companies participated in a detailed face-to-face interview, signifying a 36% participation rate for all companies that cited burdensome NTMs. To complement the interviewing process, several focused group discussions were held with key sectors, including electronics, furniture, chemicals, handicrafts, automotive, garments and agri-foods.

Three-quarters of Philippine firms face NTM trade obstacles

Approximately three-quarters of Philippine exporting and importing firms are confronted with NTM obstacles. More importers (69%) encountered obstacles than exporters (56%), and more agri-food firms (75%) encountered obstacles than manufacturing firms (64%).

Burdensome NTMs are firm-size dependent and market specific

Small and micro companies are most affected among importers (71%). This is expected, given their more limited capabilities in dealing with obstacles to trade. Large exporting companies are most affected at 67%. Three-quarters of exporters and importers doing business with China complain of NTM obstacles, making it the most affected trading partner. The second most problematic export market is the United States (67%). Japan, the biggest market for Philippine exports has the lowest incidence of NTM obstacles for exporters at 50%.

Ecozones[1] insulate manufacturing exporters

While manufacturing firms prop up Philippine exports, the perishable nature of agri-food exports makes them more vulnerable to NTMs and related POs. Because they are more likely to export and have ecozone status, manufacturing firms suffer less from regulatory and procedural requirements.

Agri-food sectors are most affected by NTMs, being the most regulated for reasons of public health. Among exporters, low-tech sectors such as metals, wood, leather, clothing, and transport equipment are less affected. Medium-tech sectors such as electronics, chemicals and transport (automotive) that are located in tariff-free economic zones and enjoy special trade facilitation privileges are even less so, and have lower participation rates in the survey. For imports, the affectedness rate is roughly the same across most sectors at 70%, indicating that the problem for importers is crosscutting rather than sector-specific.

[1] ECOZONES or "Special Economic Zones" (SEZ) shall refer to selected areas with highly developed (or which have the potential to be developed into) agri-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centres whose metes and bounds are fixed or delimited by Presidential Proclamations. An ECOZONE may contain any or all of the following: industrial estates (IEs), export processing zones (EPZ), free trade zones and tourist/recreational centres.

NTMs come from partner countries but domestic POs are the problem

Most NTMs for agri-food sectors (63%) and manufacturing sectors (74%) originate from partner countries' regulations. One in four exporting obstacles is applied by the Philippines. While NTM regulations themselves may originate in partner countries, associated POs causing issues may either be encountered at home or abroad. The majority of manufacturing (93%) and agri-food (97%) exporters cites either POs or a combination of POs and NTMs as major obstacles to trade. Essentially all manufacturing and agri-food importers attribute their trade obstacles to POs or a combination of POs and NTMs.

Top three burdensome NTMs: technical requirements, conformity assessment and rules of origin

Almost 60% of export obstacles come from product-specific measures: conformity assessments including product certification and testing (29%), and technical requirements including fumigation and labelling (27%). Testing for sanitary and phytosanitary and technical barriers to trade requirements and certifications are usually cited as costly in terms of time, effort and money. Fumigation is considered unnecessary. Labelling and/or packaging requirements and their translation components are subsidized by clients but still administratively burdensome, especially in the agri-foods sector. Of other obstacles, rules of origin are cited by 11%, and private standards are cited by 7%.

Government procedures' redundancy

A common complaint is the administrative focus on implementing regulations aimed at safeguarding individual mandates that disregard costs impact to exporters and procedures' redundancies with other regulating agencies. For instance, the ministries of health and environment may both require exporters to obtain certifications for public health and environmental safety, without regard for the additional red tape and financial costs these imply for exporting firms.

Exporters blur the line between private and mandatory standards

Most exporters do not differentiate between private standards (7% of obstacles) or NTMs in their depiction of trade obstacles. For instance, exporters will specify that certifications for food or industrial goods are mandated by a partner country even though it is a buyer's requirements since in their experience all of their clients specific to that market require these certifications.

Businesses' experience helps trade facilitation and negotiation

This survey helps stakeholders understand the needs of Philippine exporters and importers and contextualizes the roles of different stakeholders and their technical and administrative issues in trade facilitation. It provides insights into how trade procedures and institutions are linked, so that policymakers can find ways to improve administration and regulation. It can also be useful for trade negotiators and other trade policy agents to craft national policies, agreements and development frameworks.

Conclusions and preliminary recommendations

One policy recommendation is for the Department of Trade and Industry (DTI) to spearhead and ensure prompt and effective implementation of a functional inter-agency National Committee on Trade Facilitation as mandated by Philippine commitments to the WTO Trade Facilitation Agreement. Under this mandate, priority should be given to three areas:

1. Improving technical compliance and mitigating expenses for exporting firms' product and conformity assessment requirements;
2. Increasing border transparency and "clean up" for customs clearance and control procedures;
3. Overcoming domestic POs by streamlining agencies' trade procedures for export licences, permits and certificates of origin.

Proactive leadership from DTI in guiding the Bureau of Customs (BOC), the Department of Foreign Affairs (DFA) and other concerned agencies would be particularly effective. A high-level sponsor for trade facilitation such as the Minister of Trade, supported by technical expertise of a specialized and empowered Vice Minister, would be a key component to create and sustain real change.

Introduction to non-tariff measures

Growing role of non-tariff measures

Over several decades, trade liberalization has been used as a development tool based on evidence that benefits accrue to countries actively engaged in world trade. Multilateral, regional and bilateral trade negotiations as well as non-reciprocal concessions have led to a remarkable reduction in global, average tariff protection. With favourable market access conditions, international trade has soared to unseen levels, raising overall welfare and living standards.

The misuse of non-tariff measures (NTMs) may undermine the impact of falling tariffs. Being 'defined by what they are not',[2] NTMs comprise many policies other than tariff duties. NTMs are complex legal texts specific to the products and applying countries. They are more difficult to quantify or compare than tariffs.

The sound use of NTMs to ensure consumer health, environmental protection and national security is legitimate. However, countries are resorting to NTMs as alternative mechanisms to protect domestic industries. NTMs have been negotiated within the General Agreement on Tariffs and Trade (GATT) and at the World Trade Organization (WTO) since the Tokyo Round (1973–1979) and are increasingly dealt with in regional and bilateral trade agreements. NTMs have gained importance surpassing tariffs in their trade-impeding effects.

NTMs particularly impact exporters and importers in developing and least developed countries (LDCs) that struggle with complex requirements. Firms in these countries often have inadequate domestic trade-related infrastructure and face administrative obstacles. NTMs that would not normally be considered restrictive can represent major burdens in LDCs. Lack of export support services and insufficient access to information on NTMs impede international competitiveness. Both NTMs applied by partner countries as well as domestic burdens have an impact on market access and keep firms from seizing opportunities created by globalization.

Non-tariff measures, their classification and other obstacles to trade

Because trade obstacles are complex and diverse, it is important to understand their terminology and classification.

The concept of non-tariff measures (NTMs) is neutral and does not imply a direction of impact. They are defined as 'policy measures, other than customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both'.[3]

The term non-tariff barrier (NTB) implies a negative impact on trade. The Multi-Agency Support Team and the Group of Eminent Persons on Non-Tariff Barriers proposed that NTBs be a subset of NTMs with a 'protectionist or discriminatory intent'.[4]

Given that legitimate reasons, including protection of human, animal and plant health, may lead to NTMs, this report avoids making judgements on intentions and the term NTM is generally used. By design, the survey only captures NTMs that cause major difficulties for trading companies. NTMs analysed in this report refer to 'burdensome NTMs'.

The diversity of NTMs requires a classification system. The International Trade Centre (ITC) NTM Survey is based on an international classification developed by The Multi-Agency Support Team, incorporating minor adaptations to the ITC business survey approach.[5] While the actual classification and data collection go into further detail, the following distinctions and terms are used in this report:

[2] Deardorff and Stern (1998).

[3] Multi-Agency Support Team (2009).

[4] Ibid.

[5] For further details on the Multi-Agency Support Team NTM classification, see Appendix II.

1. Technical measures refer to product-specific requirements – technical barriers to trade (TBT) or sanitary and phytosanitary measures (SPS). They can be subdivided into two major categories:
   - Technical requirements, such as tolerance limits of certain substances, labelling standards or transport conditions;
   - Conformity assessment, such as certification or testing procedures needed to demonstrate compliance with underlying requirements.

2. Non-technical measures comprise the following categories:
   - Charges, taxes and other para-tariff measures, in addition to customs duties;
   - Quantity control measures such as non-automatic licences or quotas;
   - Pre-shipment inspections and other formalities such as automatic licences;
   - Rules of origin;
   - Finance measures such as terms of payment or exchange rate regulations;
   - Price control measures.

The measures applied by the exporting country constitute a separate category. NTMs vary widely even within these broad categories.

To provide a richer picture of problems companies face, the survey looks at procedural obstacles (POs) and the trade-related business environment (TBE).[6] POs refer to practical challenges directly related to the implementation of NTMs. For instance, problems can be caused by inadequate testing facilities to comply with technical measures or excessive paperwork in the administration of licences. Inefficiencies in the TBE may have similar effects, but are unrelated to specific NTMs. Examples include delays and costs due to poor infrastructure or inconsistent behaviour of officials at Customs or ports.

Overview of previous research and evaluation

In the literature, different methods have been used to evaluate the effects of NTMs. An early approach employed a concept of incidence with NTM coverage ratios. For example, Laird and Yeats (1990) found a dramatic surge of NTM incidence in developed countries between 1966 and 1986 – a 36% increase for food products and an 82% increase for textiles. Such studies rely on extensive databases mapping NTMs per product and applying country. The largest database of official government-reported NTMs used to be the Trade Analysis and Information System published by the United Nations Conference on Trade and Development (UNCTAD), but data has been incomplete and updates irregularly.

In a multi-agency effort, ITC, UNCTAD and the World Bank are currently collecting data for a new, global NTM database with a focus on TBTs and sanitary and phytosanitary (SPS) measures. ITC Market Access Map features information about NTMs.[7] As complete as such a database may be, it will reveal little about the impact of NTMs on the business sector nor will it provide information about related POs.

The two main approaches to evaluating the impact of NTMs include quantification techniques and direct assessment.

Several studies have quantitatively estimated the impact of NTMs on either trade quantities or prices. These studies have either focused on specific measures and individual countries[8] or have statistically estimated the average impact from large samples of countries and NTMs.[9] Excellent overviews are provided by Deardorff and Stern (1998) as well as by Ferrantino (2006). These articles provide a valuable insight into the quantitative impacts of NTMs. However, these studies are too specific or too general to deliver a useful picture of NTM protection to the business sector and to national policymakers. Quantitative estimations of the effects of NTMs rarely allow for isolating the impact of an NTM regulation itself from related POs or TBE inefficiencies.

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[6] For further details on the systematic classification of POs and inefficiencies in the trade-related business environment (TBE) used in the survey, refer to Appendix III.

[7] ITC Market Access Map available at http://www.macmap.org

[8] Calvin and Krissoff (1998); Yue, Beghin and Jensen (2006).

[9] Disdier, Fontagné and Mimouni (2008); Dean et al. (2009); Kee, Nicita and Olarreaga (2008); Kee, Nicita and Olarreaga (2009).

The second approach to evaluating impacts of NTMs is direct assessment through surveys. The Organisation for Economic Co-operation and Development (OECD) compiled the results of 23 previously conducted business surveys on NTMs.[10] Overall, technical measures, additional charges and general customs procedures were identified as the most burdensome trade barriers. Of the 10 categories evaluated, quotas and other quantitative restrictions, an important trade policy instrument only a few decades ago, ranked fifth. While this survey-of-surveys gives a general indication of the business sector's concerns with NTMs, the majority of the surveys covered a restricted set of partner countries and products. The percentage of surveys from developing countries was low.

Business perspective is indispensable

The ITC programme on NTMs fills the gap left by the earlier studies by providing detailed qualitative impact analysis and directly addressing key stakeholders. Launched in 2010, the programme incorporates large-scale company surveys on NTMs, POs and inefficiencies in the TBE. The ITC NTM Surveys evaluate all major export sectors and all major importing partners. By end 2016, ITC Survey covered 35 developing countries as well as the 28 European Union members. This report presents results of the survey in the Philippines.

The ITC NTM Survey allows companies to directly report the most burdensome NTMs and the way in which they impact their businesses. Exporters and importers face NTMs and other obstacles on a day-to-day basis. Because they know best the challenges they face, a business perspective on NTMs is indispensable. At the government level, an understanding of companies' key concerns with regard to NTMs, POs and TBEs can help define national strategies to overcome trade obstacles.

Philippines: Company Perspectives – An ITC Series on Non-Tariff Measures

Chapter 1 provides a snapshot of the Philippine economy, focusing on trade and trade policy. Chapter 2 presents the methodology and implementation of the ITC NTM Survey. Chapter 3 analyses the results of the survey in five main sections. The first section presents aggregate and cross-cutting results; the second and third examine challenges faced by exporters and importers, Chapter 4 looks at the roles of the manufacturing and agri-food sectors in the Philippine economy. Chapter 5 provides proposals and policy options.

[10] Organisation for Economic Co-operation and Development (2005).

Chapter 1 Trade and trade policy overview of the Philippines

Country snapshot

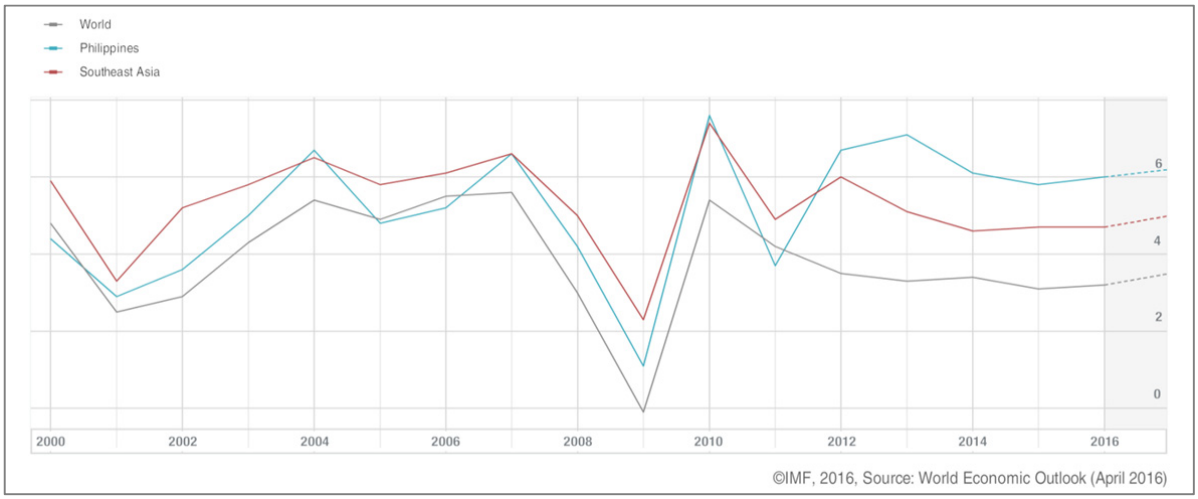
This chapter contextualizes the ITC business survey results within the Philippine economy. The first section briefly outlines the country's economy. The second section discusses international trade patterns. The third section discusses national trade development strategies.

Economic situation

The Philippines is a South-East Asian nation of more than 7,000 islands. With a population of 100 million, it is classified as a lower middle-income country with a Gross Domestic Product (GDP) per capita of $2,873 (World Bank, 2016). Long called the "sick man of Asia", the country has in aggregate measures rebounded to be one of the stronger performers in the region in recent years, behind only China and Viet Nam among major economies.

Growth has been on average 5% in the past decade, reaching its lowest at 1.1% in 2009 after the global crisis and peaking at 7.6% in 2010 (Figure 1). Following growth rates of above 6% in the three years prior, performance slowed to 5.8% in 2015 after weakened global export demand and a consecutive spate of natural disasters that affected agricultural output (Asian Development Bank – ADB, 2016).

Figure 1. Real GDP growth (annual % change)



Demand-side contributions to GDP are dominated by private consumption, accounting for 70% of output at the expense of low domestic savings and investments.[11] This is largely fuelled by remittances from the steadily increasing number of Philippine workers abroad (ILO, 2016).[12]

Remittances are equivalent to almost 10% of GDP, creating external account surpluses[13] and enabling the domestic market to fuel the economy despite lacklustre exports performance in recent years (ADB, 2016). Comprising only 2.5% of GDP (DBM, 2016), slow government infrastructure spending has been a long-time detriment to foreign investment and poses a major structural challenge (IMF, 2016) (Box 1).

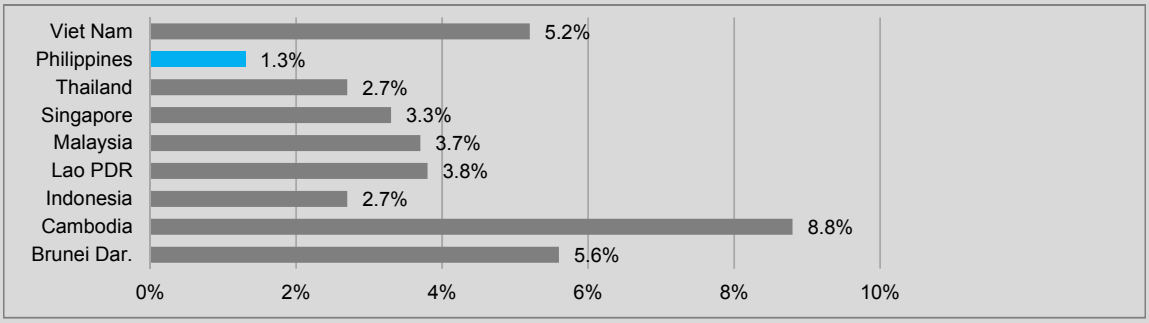
[11]The domestic investments rate at 19% of GDP is much lower than the regional average of 35% (OBG, 2015).
[12]An estimated 2.4 million (2.4%) of the population are overseas foreign workers (OFWs) (PSA, 2016).
[13]The country reports sizeable current account surpluses, but this is subject to considerable uncertainty from incomplete trade data. Customs duties evasion substantially undercounts imports and transfer pricing undercounts exports, implying much larger trade deficits. Illustratively, in the automotive sector there have been long-time complaints from auto assemblers of considerable smuggling of automobiles through secondary ports to avoid high tariffs on assembled auto imports, implying that tariffs on goods are high enough to incentivize evasion (OBG, 2015).

Box 1. FDI determinants and the Philippine business environment

Foreign Direct Investment (FDI) plays an important role in "catch-up" industrial policymaking for developing countries, and depends on factors such as fiscal incentives, the ease of doing business and the quality of infrastructure present in an economy. The Oxford Business Group (2015) cites the long period of low growth rates, a slow and corrupt bureaucracy, and a relatively protectionist legal system with foreign equity restrictions as major determinants of low FDI in the Philippines, which currently has the lowest FDI-to-GDP ratio in ASEAN (Figure 2).

"Preferred" areas of investment are listed under the Investment Priority Plan (IPP), which provides tax and performance-based incentives for mostly manufacturing activities in export processing zones (EPZs), but is contingent on Philippine ownership requirements. EPZs foster employment and exports, but at the expense of tax income and an inefficient market system that artificially shields EPZ locators from domestic problems in the rest of the country. Some sectors remain restricted for foreigners, notably agriculture, fisheries and the majority of services such as telecommunications (WTO, 2012). In terms of infrastructure, the country struggles with high energy and logistics costs, an uncompetitive tax system, and recently much-worsened urban congestion particularly in Metro Manila (WTO, 2012 and PIDS, 2015). This has led to a subpar ranking of 103rd (of 189 countries) in the World Bank's 2016 Doing Business Report, lower than Viet Nam, Thailand, Brunei, Malaysia or Singapore.

Figure 2. ASEAN FDI levels as % of GDP, 2013



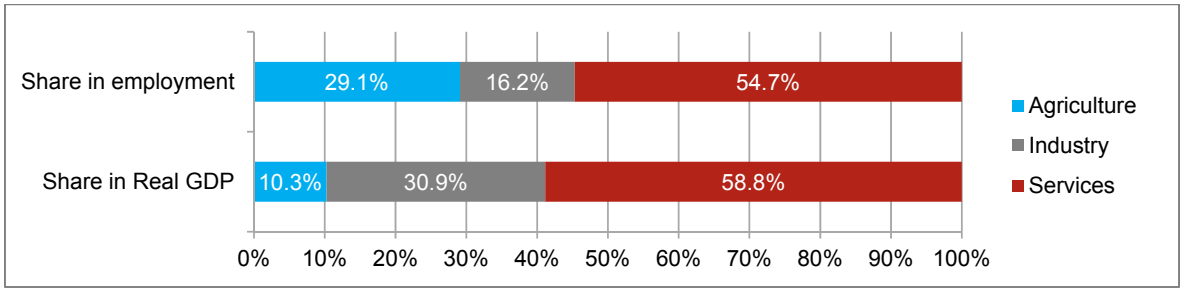
Sources: UNDP (2016) and World Bank (2016).
Note: Data for Myanmar unavailable.

On the bright side, the Aquino administration significantly improved corruption level perceptions in the country, earning investment grade rankings from Standard & Poor's and Moody's in 2014, and garnering the highest jump of any country in the World Economic Forum's "Global Competitiveness Report" from 85th of 139 in 2010 to 52nd of 144 in 2014. Notably, the Philippines' strongest points were the macroeconomic environment, health care and education, while its lowest were infrastructure and innovation. It still ranked well below Malaysia, Thailand and Indonesia, but ahead of Viet Nam (OBG, 2016).

Sources: Standard & Poor's, Moody's, World Economic Forum, and Oxford Business Group (2016).

On the supply side, economic output continues to be driven by the expertise of the country's Information Technology Business Process Outsourcing (IT-BPO) services sector (Figure 3), which is second only to India as the world's top outsourcing destination (Tholons, 2016).

Figure 3. Major sector contributions to GDP and employment, 2015



Source: Philippine Statistics Authority (2016).

The services sector contributes almost 60% to national output and more than half of all employment, leveraging on the nation's young and highly educated work force, which has the best English-language skills in Asia (OBG, 2015). Largely due to increasing costs of production (PIDS, 2012), agriculture follows a decades-long declining trend among developing economies to contribute only 10% to output (half its contribution in the 1980s), although it maintains an important role in the economy with almost a third of all employment. Major crops include rice, corn, banana, coconut, sugar cane, mango and pineapple.

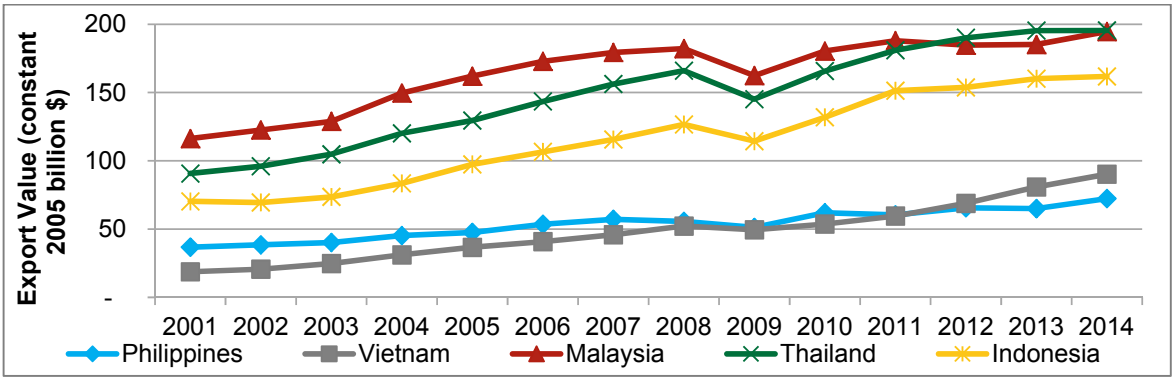
Manufacturing makes up 30% of output but comprises less than 20% of employment. Industrial manufacturing is largely limited to provision of raw materials and intermediate goods assembly primarily in the semiconductor and electronics and automotive sectors. Globally, these sectors are staples of regional production networks (RPNs) for outsourcing lower value-added activities to take advantage of labour costs in developing countries, with minimal direct spill overs to vertical industry upgrading.

Rather than shifting from an agricultural to a manufacturing economy, the Philippines has bypassed this stage and gone straight into a services-led economy. This leapfrogging of industrialization has led to economic dependence on the services sector at the expense of the forward industry linkages and greater labour productivity of higher value-added manufacturing activities. This has been criticized by the Asian Development Bank as one of the country's major stumbling blocks to long-term development. The structural weaknesses of this model have created a unique paradox: despite rising consumption-driven growth, the country has declining foreign investments and weak export diversification. In 2012, the Department of Trade and Industry (DTI) recognized this issue and took steps to reorient policy towards manufacturing activities, particularly for the automotive sector.

International trade patterns

The value of gross exports of goods and services over the past 15 years has been markedly lower for the Philippines than for other ASEAN economies of Indonesia, Malaysia, and Thailand, and was recently overtaken by Viet Nam in 2012 (Figure 4).

Figure 4. ASEAN sub-regional comparison for exports of goods & services, 2001-2014

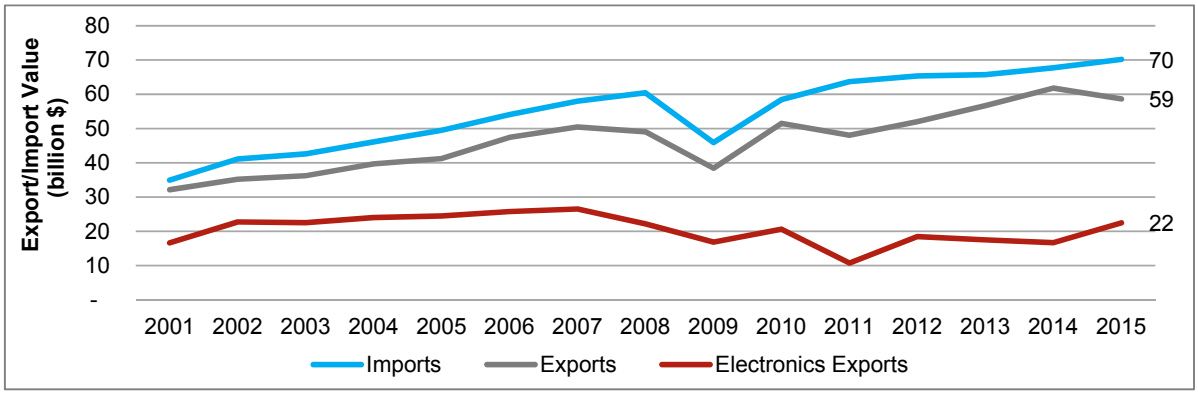


Source: World Bank (2016).

Figure 5 shows how Philippine imports and exports generally follow GDP growth trends, with electronics as the biggest sector contributor (40% of exports) charted below trade flows to highlight its significance in shaping the movement of goods. Total trade volume growth has been tepid, only just about doubling over fifteen years for both imports and exports. The country regularly exhibits trade deficits due to the high import of raw materials and intermediate goods (ITC, 2016), which are largely processed and re-exported as finished goods primarily in the electronics sector.

While the steep drop in trade in 2009 followed the global financial crisis, the 7% plummet in 2011 exports highlights both Philippine overdependence on its electronics sector and the undiversified state of its exports portfolio. The slump coincided with a global drop in electronics demand from crisis-stricken developed markets such as the United States and the European Union, and was exacerbated by natural disasters affecting the production hubs of nearby Japan and Thailand (both major Philippine markets) the same year (NEDA 2012 and PEDP 2016).

Figure 5. Philippine exports and imports, 2006 to 2015

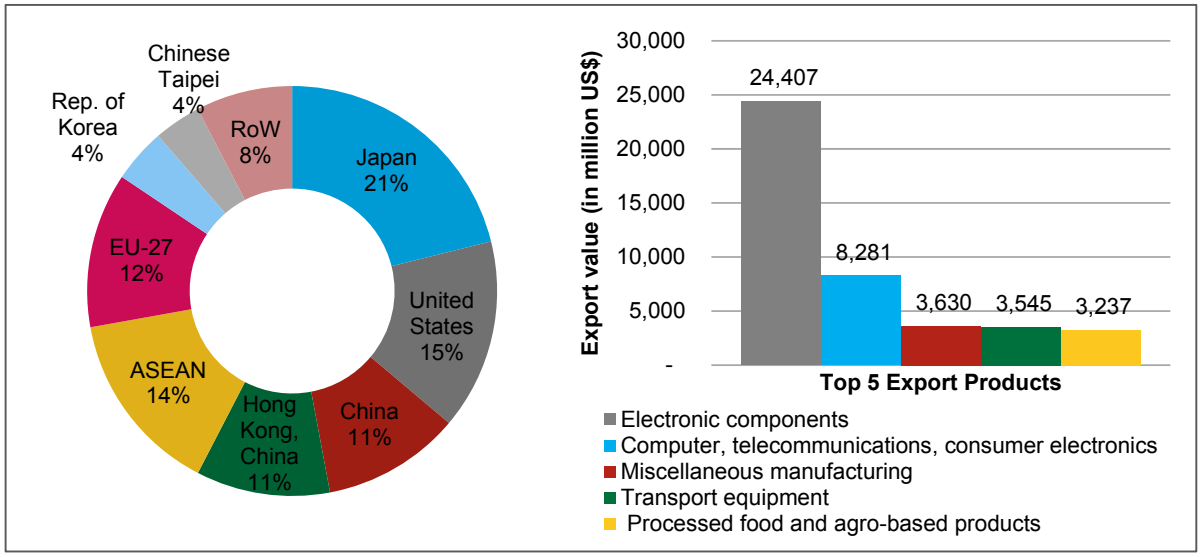


Source: Philippine Statistics Authority (2016).

Figure 6 illustrates the narrow export base centred on electronics, showing that Philippine export destinations chiefly reflect markets for electronics goods such as Japan (21%), the United States (15%), China (11%), Hong Kong (11%), Singapore (6%) and Thailand (4%), as well as emphasizing the size of the electronics sector (44% of all exports) in 2015.

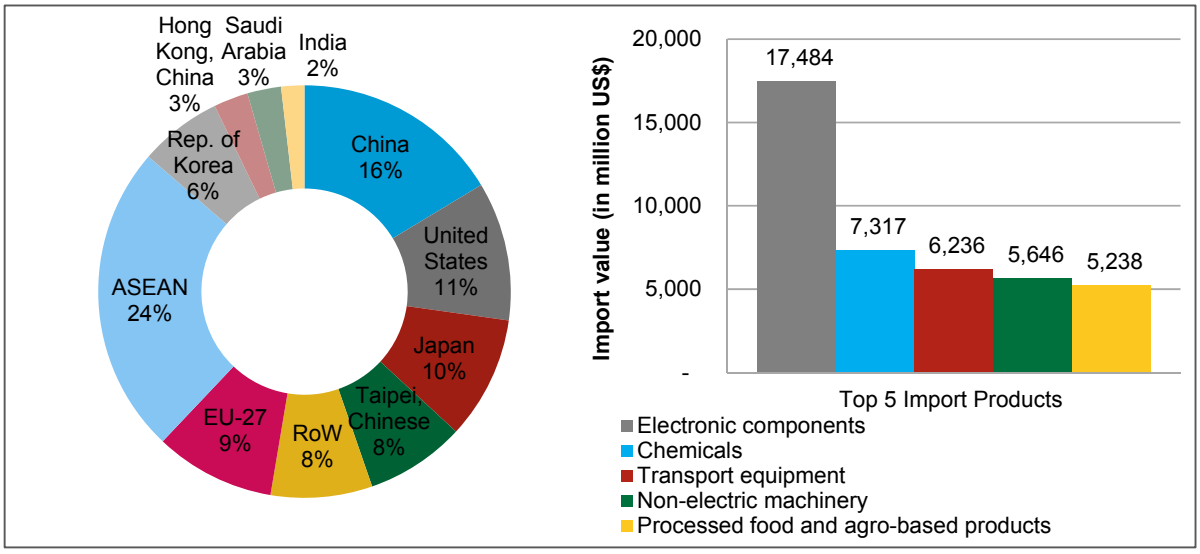
Electronics exports primarily comprise monolithic integrated circuits (ICs) (under HS Chapter 85), while other major exported products are hard disk drives and other storage units (HS 84), ignition sets and wiring harnesses for automotive (HS 85), wooden furniture (HS 44), and control instrumentation (HS 90). Other smaller sectors such as agri-foods, fisheries, garments and footwear, and handicrafts, though overshadowed by electronics since the 1990s, formed relatively strong export sectors in the past and remain an important component of Philippine industry.

Figure 6. Main Philippine export markets and top five export products, 2015



Source: ITC Trade Map, 2016.

Figure 7. Main Philippine import markets and top five import products, 2015



Source: ITC Trade Map, 2016.

Imports, with a 28% electronics share, tell a parallel story since a substantial portion of imported goods are intermediate products such as semiconductor wafer components, integrated circuit assemblies and parts of processors, chips and hard drives (HS 85 & 84) that form assembly inputs for electronics exports (Figure 7). Other major imports include refined petroleum (HS 27), completely knocked down (CKD) assembly units (unassembled automotive) (HS 87), and chemical substances (intermediate inputs for the chemicals sector) (HS 39).

Box 2. Philippine export competitiveness

Aside from weak export diversification, the 2015-2017 Philippine Export Development Plan (PEDP) cites a combination of weak global demand and a loss of competitiveness in relative comparative advantage (RCA)-sectors as a malaise afflicting half of all Philippine exports. Among the factors undermining competitiveness are domestic issues: unnecessary and trade-impeding domestic regulations and government policies; high costs and deficient infrastructure; limited export financing especially for SMEs exporters; unstable supply of raw materials; shortage of domestic skills that match industry requirements; weak system of innovation in products and processes; and fragmented and poorly funded domestic institutions that regulate product quality and industry standards (PEDP, 2016).

Figure 8 provides a partial listing by ITC of the most promising Philippine exports based on technological capacity, price stability, SME availability, and female labour participation, viewed vis-à-vis the market potential in East Asia, non-OECD and OECD markets. Electronic integrated circuits (ICs) in particular fulfil three of the four criteria for most potential as well as the presence of market growth possibilities.

Figure 8. Top Products with Export Potential for the Philippines

Product group code / description	Exports (US$ thousand)	What is the product's export potential in...?						Technology level	Price stability	Prominence of SMEs	Female labour participation
		East Asia and Pacific	Unrealized potential	non-OECD	Unrealized potential	OECD	Unrealized potential				
85XXXd Smart cards; electronic integrated circuits; other electrical machines and	14,308,499		41%		37%		40%	●	●	●	●
847170 Computer data storage units	3,616,140		40%		37%		58%	●	●	●	●
84XXXe Parts and accessories for printers, copying machines, computers & othe	2,031,394		27%		33%		46%	●	●	●	●
854140 Photosensitive semiconduct device,photovoltaic cells&light emit diodes	1,097,277		51%		70%		34%	●	●	●	●
151311 Coconut (copra) oil crude	706,842		77%		78%		56%	●	●	●	●
850440 Static converters, nes	1,107,809		62%		68%		26%	●	●	●	●
854430 Ignition wirg sets&oth wirg sets usd in vehicles,aircraft etc	1,256,564		41%		60%		36%	●	●	●	●
0803 Bananas and plantains, fresh or dried	1,147,198		0%		24%		74%	●	●		
4418XX Other builders' joinery & carpentry of wood	1,024,751		10%		98%		29%	●	●	●	●

Source: ITC, 2016.

Within the top five, all other exports (miscellaneous goods, transport equipment and agri-food products) or imports (chemicals, transport equipment, non-electrical machinery and agri-food products) never exceed more than 10% of total trade values. This highly skewed trade structure leaves the Philippines highly vulnerable to external shocks. Box 3 describes weaknesses and strengths of current Philippine export competitiveness.

Multilateral, regional, and bilateral trade agreements

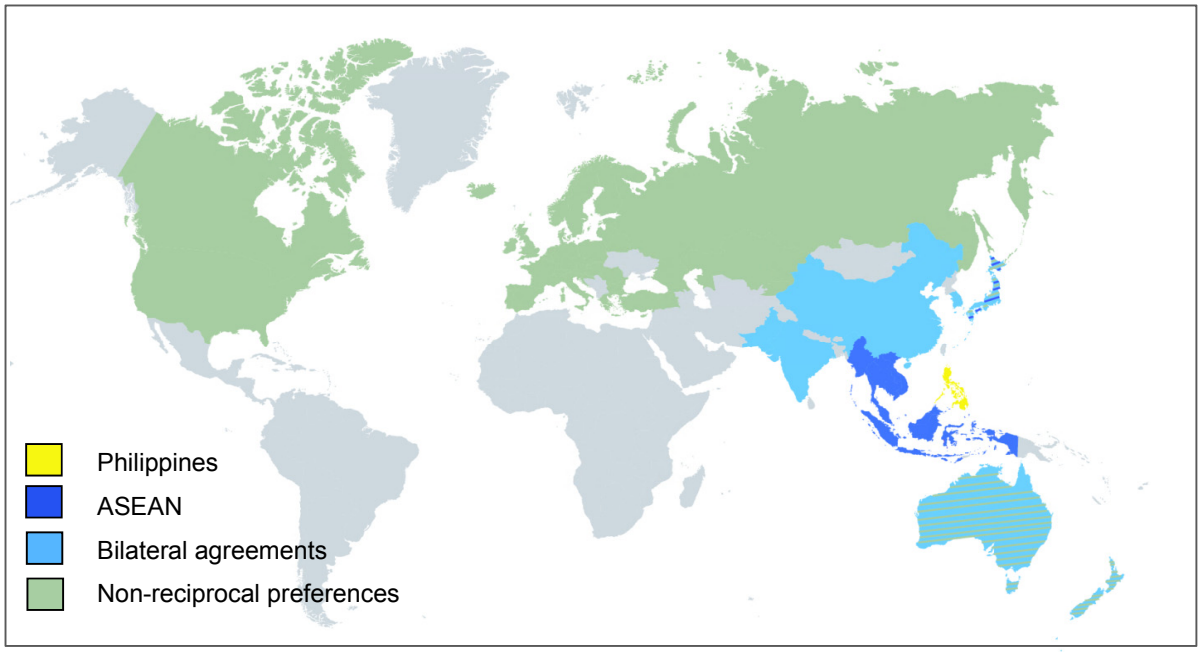
The Philippines joined the World Trade Organization (WTO) in 1995. It has been a member of the Association of Southeast Asian Nations (ASEAN) since 1967, through which it has negotiated trade agreements with China, India, Republic of Korea, Japan, and Australia-New Zealand (Appendix VI). Additionally, the country has on-going negotiations for the Regional Comprehensive Economic Partnership (RCEP), which seeks to broaden and deepen economic engagements between ASEAN and its free trade agreement (FTA) partners. Within ASEAN, tariff liberalization has been fully implemented, and this is putting pressure on non-competitive sectors of the Philippine economy, particularly sugar (WTO, 2012).

Since 2008, the Philippines has had a separate trade agreement with Japan, and has recently signed a deal with the European Free Trade Area (EFTA) countries.[14] It has time-bound Generalized Scheme of Preferences (GSP) agreements with the United States and the European Union, which are autonomous trade agreements that grant non-reciprocal trade preferences to exports of beneficiary countries.

[14] Iceland, Liechtenstein, Norway, Switzerland.

The country benefits from both the Regular EU GSP's reduction and/or elimination of tariffs on most favoured nation (MFN) tariffs, and the GSP+, which has stricter requirements on the (1) non-diversification of exports and low proportions of EU imports; and (2) ratification of 27 international conventions on human and labour rights, environment and governance principles, and effective implementation of these conventions.

Figure 9. Countries granting preferences to Philippine products



Note: This graph reflects, to the best of ITC knowledge, the situation as of December 2015. Non-reciprocal preferences are granted to Philippines in the framework of the GSP scheme.
Source: ITC illustration based on Market Access Map data, 2015.

The Philippines has a relatively open trade regime, though with substantial scope for improvement. The simple average MFN applied tariff for all goods is 6.3% and the trade-weighted average is 4.3%. This is lower than the simple average bound rate (25.7%) and provides ample policy space to raise applied tariffs. Tariffs average 9.9% on agriculture and 5.7% on non-agricultural products, and are highest for raw materials and finished goods and lowest for intermediate goods. Positive tariff escalation is most pronounced in textiles and leather, followed by wood and furniture, paper and printing, chemicals, and non-metallic mineral products, providing higher levels of effective protection to those industries. The country uses the ASEAN Harmonized Tariff Nomenclature, which comprises 9,820 lines at the HS 8-digit level, 33% of which remain unbound. All tariff lines are ad valorem (WTO Philippine Trade Policy Review, 2012).

Non-tariff measures

Several agro-related NTMs stand out in the Philippines. Rice as the major food staple is a sensitive product for importation, and subject to a longstanding import quota to protect a subsidized domestic industry. The export of endangered wildlife species and live animals is highly regulated, and an export ban on natural forest logs exists to curb deforestation, with plantations logs subject to a 20% export tax (WTO, 2015, OBG, 2016 and ERIA, 2016).

Customs procedures for application, payment and clearance are automated through the Electronic-to-Mobile (E2M) system of the Bureau of Customs (BOC). There is an upcoming Customs Modernization and Tariff Act (CMTA) that aims to digitize more procedures and remove the legally required administrative layer of a Customs Broker to transact with the BOC on behalf of firms. The ASEAN national single window

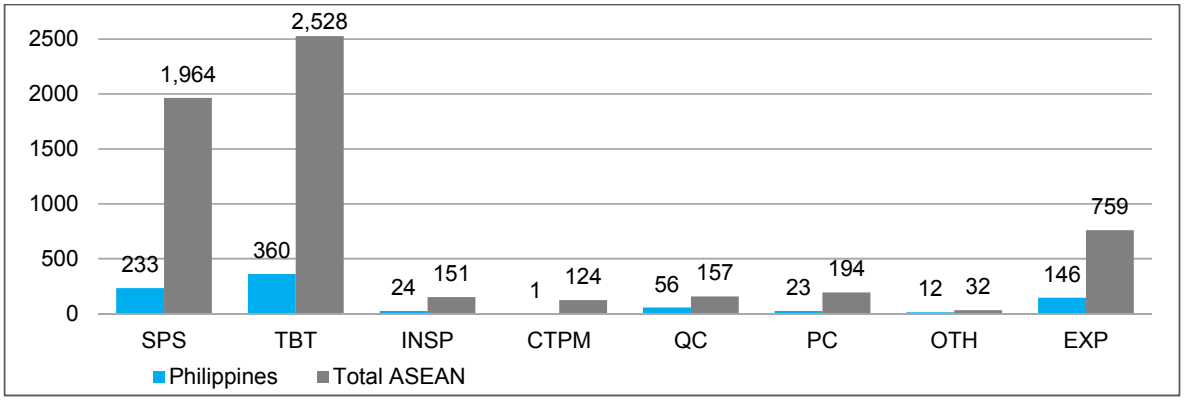
is being finalized to streamline intra- and extra-regional trade. The national import-licensing system remains complex, with fees varying by product (WTO Philippine Trade Policy Review, 2012).

Despite FAT-elimination of tariffs on 98% of all goods within the region, intra-ASEAN trade has only risen by 2.3% from 2000 to 2014. An ERIA/UNCTAD 2013 study proposes that aside from rules of origin, it is the regional increase in NTMs from 1,634 to 5,975 between 2000 and 2015 that may be responsible.

The study evaluated 296 regulations reported by 37 government agencies related to exporting and importing, yielding 854 official NTMs in the Philippines that are currently affecting 100% of all Philippine tariff lines. Roughly 60% (542 NTMs) have been notified to the WTO. Of these, technical barriers to trade (TBTs) make up 42%; sanitary and phytosanitary (SPS) measures constitute 27%. Export-related measures comprise 17% (Figure 10).

Among TBTs, conformity assessment measures are the most common, followed by prohibitions or restrictions. Labelling requirements are the next most frequent imposition. For export-related measures, licences/quotas/prohibitions make up the majority, followed by technical measures. This trend follows regional ASEAN patterns, where SPS and TBT measures are by far the most numerous, followed by export-related measures.

Figure 10. Official NTMs affecting the Philippines and total ASEAN, 2016



Note: Sanitary and phytosanitary [SPS], technical barriers to trade [TBT], pre-shipment inspection [INSP], contingent trade protective measures [CTPM], quantity control measures [QC], price control measures [PC], other measures [OTH], export-related measures [EXP].
Source: ERIA/UNCTAD, 2016.

The study indicates that the source of ASEAN NTM proliferation is concern with public safety at ministries of Agriculture, Fisheries, Health and Environment, rather than Trade ministries. This is consistent with the study's proposition of an Income-Effect (IE) hypothesis, where trade liberalization implies a greater demand for import product variety as incomes rise, leading to a subsequent increase in regulatory controls for imports, and hence, a rise in NTMs.

Industrial and trade policy

The post-war Philippines from the 1950s-1970s adopted a protectionist import substitution regime for manufacturing sectors such as automotive and garments and textiles. This left a legacy of sheltered domestic markets, concentrating economic wealth among a few firms and hampering the growth of true market competition (Aldaba, 2012).

In the 1980s and 1990s, and unlike many Asian countries that adopted a more gradualist approach, the Philippines subscribed to Washington Consensus of unilateral market liberalization. Through post-Uruguay Round average nominal tariff rate reduced from a range of 70-100% to within a 3-30% range. Accompanying this were privatization and deregulation policies for foreign investments aimed at removing barriers to competition and promoting factor mobility and firm growth (Aldaba, 2012).

An analysis by Sereno (2011) (Table 1) argues that the tariff liberalization regime in the Philippines has not been appropriate to its status as a lower middle income developing country, and instead has resulted in a

current tariff profile and level of tariff protection that mirrors that of more advanced and substantially more industrially competitive economies.

The analysis posits that applied tariff levels can indicate the level of resolve countries have in utilizing tariffs as a tool for development and preservation of sensitive sectors. While the country is more or less aligned with other developing countries in setting WTO binding obligations at average bound rates between 25% to 35%, its average applied MFN rate for industrial goods at 5.7% is closer to that of highly developed countries such as Japan, the United States and Australia rather than developing countries such as Brazil, India and China.

The Philippines has the lowest maximum applied rate for industrial products (30%) among all the countries profiled, indicating a posture that might not be appropriate to its stature as a developing country (Sereno, 2011).

Table 1. Philippine applied rates for industrial goods, 2006 & 2014

Country	MFN Applied Rate (%)				Ave. Bound Rate (%) 2014
	Average		Maximum		
	2014	2006	2014	2006	
Japan	2.5	2.8	432	724	2.5
United States	3.2	3.3	54	55	3.3
Australia	3.0	3.9	153	251	11
Philippines	5.7	5.8	30	30	23.4
Indonesia	6.7	6.8	150	80	35.6
Korea	6.8	6.6	271	50	10.2
Malaysia	5.5	7.9	60	60	14.9
Thailand	8.3	8.2	124	154	25.5
China	8.6	9.0	50	50	9.2
Mexico	5.9	13.3	50	50	34.8
India	10.2	16.4	156	268	34.5
Brazil	14.1	12.6	35	35	30.8

Source: Modified from Sereno (2011), based on WTO World Tariff Profiles.

National development plan

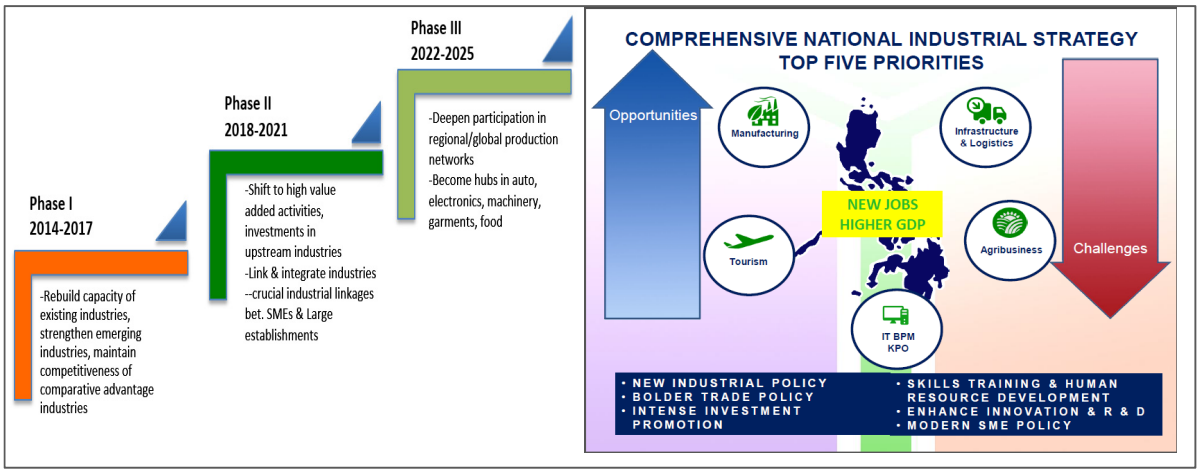
Beginning in 2012, industrial policymaking has focused on promoting structural transformation towards addressing the lack of domestic industry competitiveness in an open trading regime. The Comprehensive National Industrial Strategy (CNIS) is the country's overall blueprint for industry development, prioritizing the big five industries of manufacturing, agribusiness, tourism, infrastructure and logistics, and IT-BPO. Under the plan is the tri-phased Manufacturing Resurgence Program (MRP) to revitalize industry (Figure 11).

The MRP includes national industry roadmaps for 30 manufacturing sectors, with a flagship vertical intervention programme focused on promoting investments, technology transfers, and localized production in the automotive sector under the Comprehensive Automotive Resurgence Strategy (CARS) Program. The Industry Development Council (IDC) serves as a national platform for coordinating industry development activities, and inter-agency technical working groups were set up in collaboration with the private sector to thresh out horizontal and vertical issues for each sector.

Due to internal resistance from the Department of Finance, the re-industrialization scheme has met resistance from the Executive Branch, and implementation of the CARS Program has been delayed. Aside from the Department of Trade and Industry (DTI), several other government agencies perform regulating functions that intersect with trade measures (Box 4).

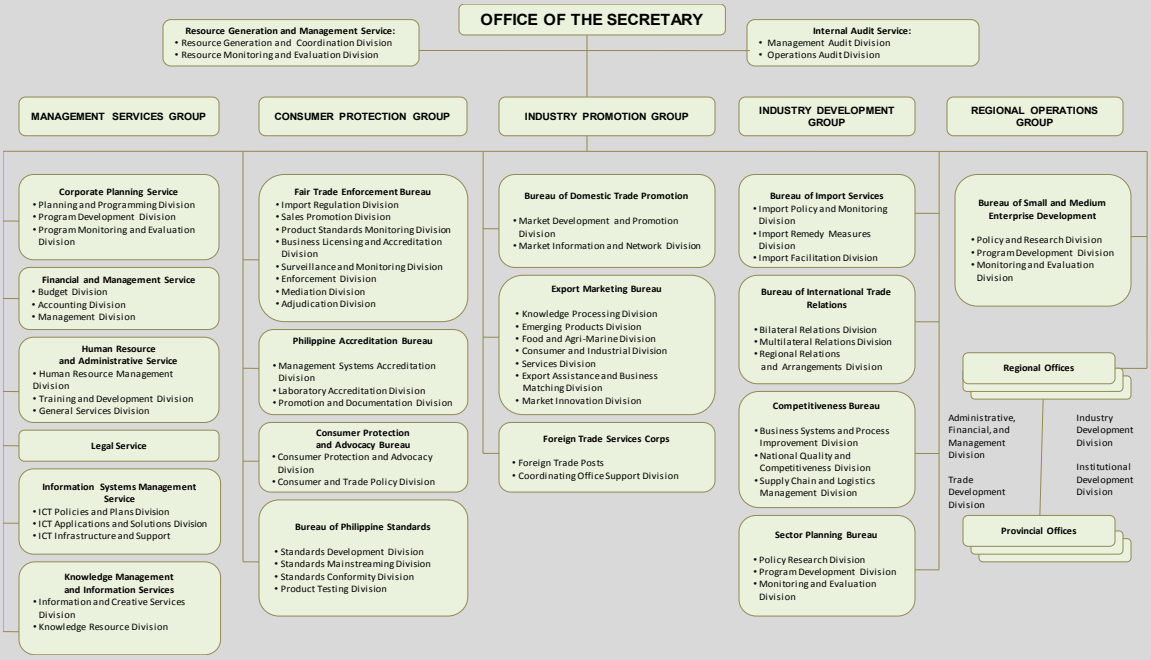
A new Presidential administration took office in June 2016 with promises to streamline government, fast-track infrastructure and curb corruption. This will hopefully improve trade facilitation measures and reinvigorate the business environment essential to countering the negative impact of NTMs.

Figure 11. Comprehensive National Industrial Strategy top five priorities and three phases of the Manufacturing Resurgence Program



Source: DTI, 2016.

Box 3. DTI organizational chart and list of main trade-regulating government agencies



Department of Trade and Industry

The DTI expands Philippine trade, industries and investments as the means to generate jobs and improve the business environment for Philippine firms. Major trade-regulating bureaus and attached agencies include: the Industry Promotion Group (IPG) and Industry Development Group (IDG), which handle most of the trade promotion, trade policy and industry development initiatives; the Bureau of International Trade Relations (BITR) handles trade negotiations and trade policy recommendations, including chairmanship of the National Committee on Trade Facilitation (NCTF); the Export Marketing Bureau (EMB) and the Bureau of Import Services (BIS) work together to promote and protect exports and imports; and its Bureau of Product Services (BPS) regulates standards and conformance requirements for firms and administers an online TBT notifications portal.

Export Development Council

The EDC is a public-private committee headed by the Secretary of Trade and Industry that oversees the implementation of the Philippine Export Development Plan as well as advocates for policy reforms that will facilitate and enhance Philippine exports. Its Technical Working Group (TWG) on NTMs is co-chaired by the DTI-EMB and private sector representatives from the Philippine Confederation of Exports, Inc. (PHILEXPORT).

Philippine National Police

The PNP enforces the law to prevent and controls crimes, and ensures public safety and internal security in the country. Under RA 9516 it is also mandated to regulate the sale and possession of chemicals for explosives, which may include nitrates, nitric acid and other common household chemicals extensively used by Philippine industry.

Department of Health

The DOH under its Food and Drug Administration (FDA) regulates the safety of health products including food, drugs, and cosmetics, including through certification requirements for importers and exporters of these goods.

Department of Finance

The DOF administers fiscal policies, including tariff revenue collection under the Bureau of Customs (BOC) and importer certification requirements under the Bureau of Internal Revenue (BIR).

Department of Agriculture

The DA promotes agricultural development through policies, investments and support services for Philippine agri-food businesses. Its policymaking scope covers the regulation of SPS measures such as product standards, nutrition content labelling, and certification and testing requirements for imported and exported food products, as well as regulates the sale of endangered marine, plant and animal life. These functions are done by bureaus such as the Bureau of Plant Industry (BPI), Bureau of Animal Industry (BAI), Bureau of Fisheries and Aquatic Resources (BFAR), and Bureau of Soils and Water Management (BSWM), and attached agencies such as the National Meat Inspection Services (NMIS) and the Philippine Coconut Authority (PCA).

Department of Environment and Natural Resources

The DENR is responsible for the preservation of the environment and the country's natural resources, including certification and safety requirements for exporters' manufacturing plants. It also regulates the sale and use of local timber under a national export log ban.

Department of Science and Technology

The DOST supports research and development infrastructure for Philippine industry, including through testing and certification services for metals, electronics and engineering product exports under its Metals Industry Research and Development Center (MIRDC) and its Electronics Product Development Center (EPDC).

Chapter 2 NTM survey methodology and implementation

Survey implementation and sampling methodology

This chapter describes the implementation of the non-tariff measures (NTM) survey in the Philippines and describes the global NTM survey methodology. Detailed methodological notes are provided in the appendices of this report. Appendix I contains the global methodology that is a core part identical in all surveyed countries. Appendix II on the NTM classification and Appendix III on procedural obstacles provide the taxonomy for arranging reported measures into an organized hierarchical system.

Timeline and principal counterparts

As part of the ITC national capacity building work, the NTM surveys are executed by a local company. In the Philippines, the survey was initially carried out by Nielsen Ltd. and later by local experts, with support from the Philippine Exporters Confederation (PhilExport) and the Export Marketing Bureau of the Department of Trade and Industry (DTI-EMB). Project managers and interviewers had in-depth training on the survey methodology, the questionnaires and the interview process. The survey was conducted between August 2014 and April 2016. Local experts conducted focused group discussions (FGDs) with key representatives of export sectors including electronics, chemicals, automotive, garments, handicrafts, furniture, food and fisheries.

The interview period was succeeded by a data quality-control phase in April 2016 during which ITC converted the received data into the standard format and verified the survey data obtained, requesting clarification where information was missing or contradictory. A preliminary presentation was given to DTI Undersecretary Nora K. Terrado.

Final data analysis was done between May to June 2016 and the results were presented during a national NTMs workshop organized by ITC and DTI-EMB in Manila on 29 June 2016. The workshop discussed the main findings and solicited feedback from stakeholders in academia, industry and government agencies. The final report was published in March 2017.

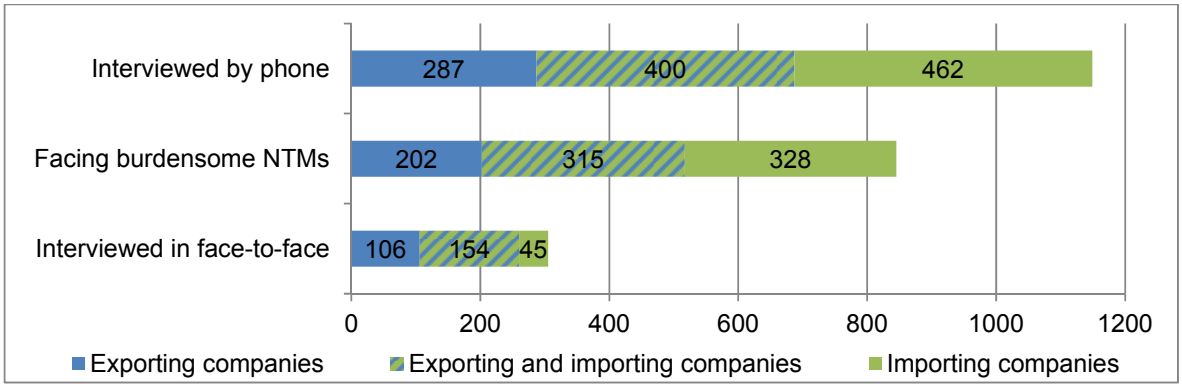
Survey process

Prior to the start of the survey, ITC compiled a business registry of exporting and importing companies in the Philippines, based on information provided by the DTI and the Bureau of Customs (BOC). This registry contained information such as contact details, location and major export or import products of over 5,000 Philippine companies participating in international trade, and was used to calculate the sample size and to contact the companies for an interview.

The interview process itself consisted of two steps. The first step involved screening of exporting and importing companies through a telephone interview (phone screening), aimed at confirming the main sector of activity, the direction of trade and whether the company experienced difficulties with NTMs. Companies interviewed in the phone screen (PS) phase were selected based on stratified random sampling. As per NTM survey sampling methodology, phone screen interviews covered a representative share of Philippine export sectors (excluding arms and minerals). From a business register of 5,000 firms, 1,149 firms were interviewed by phone signifying a 23% participation rate (Figure 12).

The second step consisted in detailed face-to-face (FTF) interviews with companies that reported having experienced obstacles to trade and willing to participate. In this more detailed interview session, these companies were questioned about the specific nature of the problems they faced. Typically, survey respondents were general managers or the company's employee responsible for the export and import process. All responses from the companies were treated with confidentiality, and only synthesized information on survey results was shared with local stakeholders. From the 845 companies that reported NTM-related difficulties during phone-screen, 305 were interviewed face-to-face (36% participation rate).

Figure 12. Overview of surveyed companies



Source: ITC NTM Survey in the Philippines, 2014–2015.

Both phone screen and face-to-face interviews conducted were almost evenly divided among exporters and importers. Figure 13 details the characteristics of phone-interviewed companies by company size, location, sector, and destination/origin markets. Sectors are divided into agri-food, low-tech and medium-tech manufacturing classifications. Low-tech manufacturing sectors comprised 52% of all exporters interviewed, while agri-food made up 28%, and medium-tech manufacturing sectors made up 20% of interviewees. For importers, 48% of respondents were medium-tech, low-tech were 37% and agri-food were 14%.

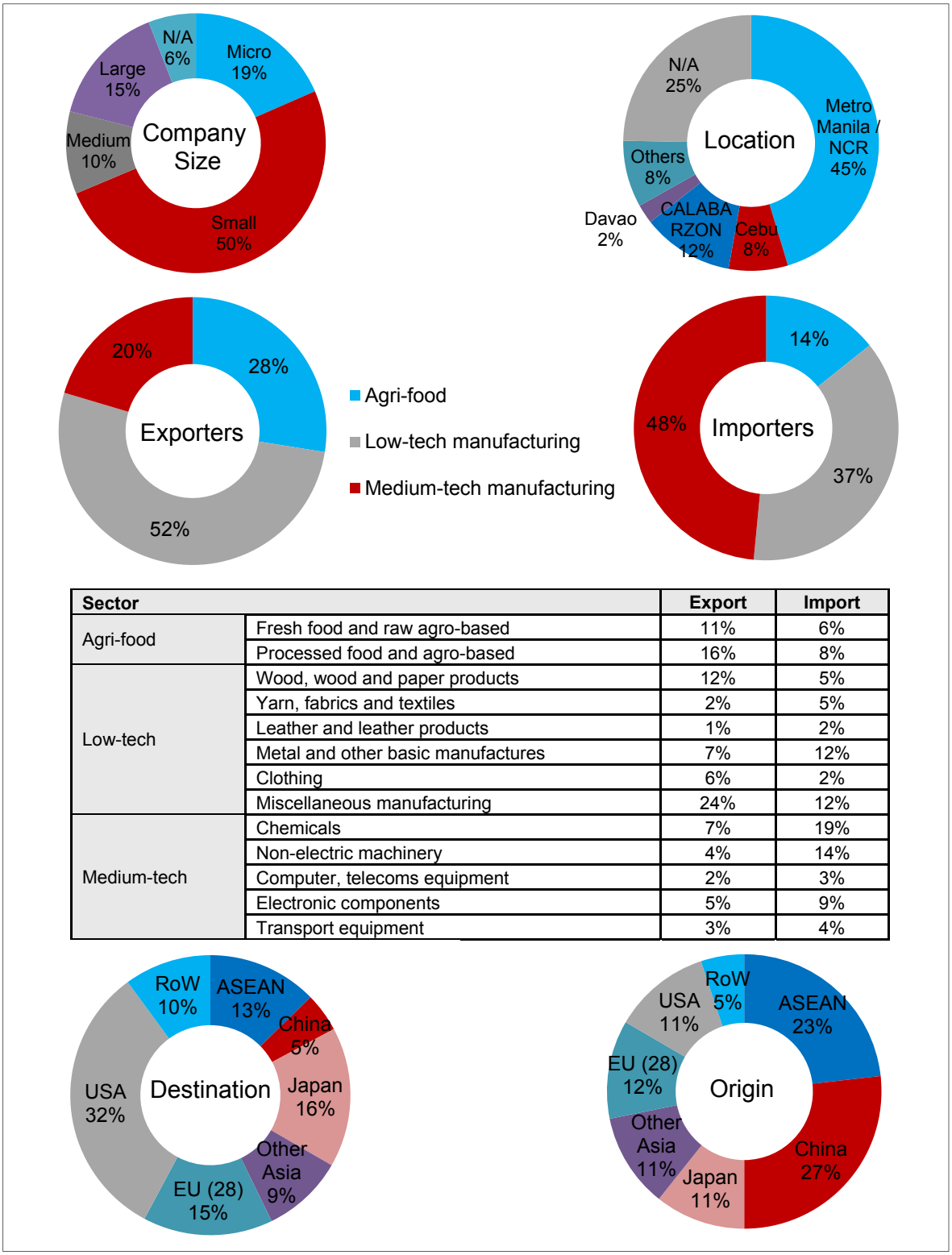
These figures roughly correspond to the country's industry structure of 1:3 for agri-food compared to manufacturing firms, with interviewees from manufacturing more concentrated on lower-tech products such as handicrafts, furniture, metals. These firms comprise SME exporters that were more likely to participate in the survey than the multinational companies that assemble and export higher-tech products but are located in more trade facilitative ecozones.

Small enterprises (50%) made up most of the respondents, followed by micro-sized (19%) and large companies (15%).[15] By location and due to surveying constraints, the majority (45%) of interviewed companies were based in Metro Manila (also called the National Capital Region or NCR) as the national centre of commerce. However, there were pockets of sectoral representation from key regional locations such as Southern Tagalog Region (also called the CALABARZON region) in Luzon, Cebu in the Visayas, and Davao in Mindanao. While not precisely ideal in terms of regional inclusivity, this distribution provided good qualitative feedback on the state of exporters in the provinces.

The most frequent destination market for exporting companies interviewed was the United States (32%), followed by Japan (16%) and the European Union (15%)., China (27%) was the most common source of imports, followed by ASEAN (23%) and the European Union (12%). This corresponds to the country's most common export and import markets.

[15] The Philippines classifies micro enterprises as having employees of 10 or less; small enterprises as having 11 to 100; medium enterprises as having 101 to 200; and large enterprises as having more than 200 employees.

Figure 13. Characteristics of interviewed companies



Sector		Export	Import
Agri-food	Fresh food and raw agro-based	11%	6%
	Processed food and agro-based	16%	8%
Low-tech	Wood, wood and paper products	12%	5%
	Yarn, fabrics and textiles	2%	5%
	Leather and leather products	1%	2%
	Metal and other basic manufactures	7%	12%
	Clothing	6%	2%
	Miscellaneous manufacturing	24%	12%
Medium-tech	Chemicals	7%	19%
	Non-electric machinery	4%	14%
	Computer, telecoms equipment	2%	3%
	Electronic components	5%	9%
	Transport equipment	3%	4%

Source: ITC NTM Survey in the Philippines, 2014-2015.

Captured data and evaluation approach

Firms were asked to provide information on their export products at the Harmonized System (HS) 6-digit level code, and for each of these products the destination country of exports. Some companies were not able to determine their HS6 code. In such cases, interviewers would assign it based on the given detailed product descriptions.

For each product-partner trade flow, company representatives were asked to provide detailed information on the NTMs and procedural obstacles they encounter. An NTM case is counted for every reported burdensome regulation (for example, a government-mandated regulation or a sanitary and phytosanitary certificate), and includes information on at least one product and one partner country affected by this NTM. Private standards requirements are included in the survey results although they are not NTMs per se. If relevant, related POs and problems with the business environment are also recorded.

The interviewers then captured the categories of NTMs as classified in appendix II, the country applying the measure and the authorities causing procedural obstacles. The survey methodology distinguishes between procedural obstacles that are associated with a reported NTM and the trade-related business environment that poses challenges of its own. Interviewers captured the survey responses on paper and digitalized using ITC data-capturing templates in Excel.

Chapter 3 Survey results

Companies' perception of NTMs

Out of 1,149 companies interviewed by phone screen (PS), 845 companies, regardless of being exporters or importers, are confronted by NTM trade obstacles.[16] For companies that are both exporting and importing, the rate is higher at 79%, while for those that are exclusively exporting or importing, this figure is lower at around 70%. Among ASEAN countries where the survey has been implemented, this figure is closer to the affectedness rate of Cambodia (69%) rather than the more developed economies of Thailand (38%) or Indonesia (37%).

Across all industries agri-food sectors are most affected by NTMs-related obstacles (Figure 14) with 81% of exporters and 75% of importers of processed food and agro-based products reporting difficulties in dealing with regulations. In general, these products are the most regulated for reasons of public health, making this sector highly sensitive and protected by both tariffs and NTMs.

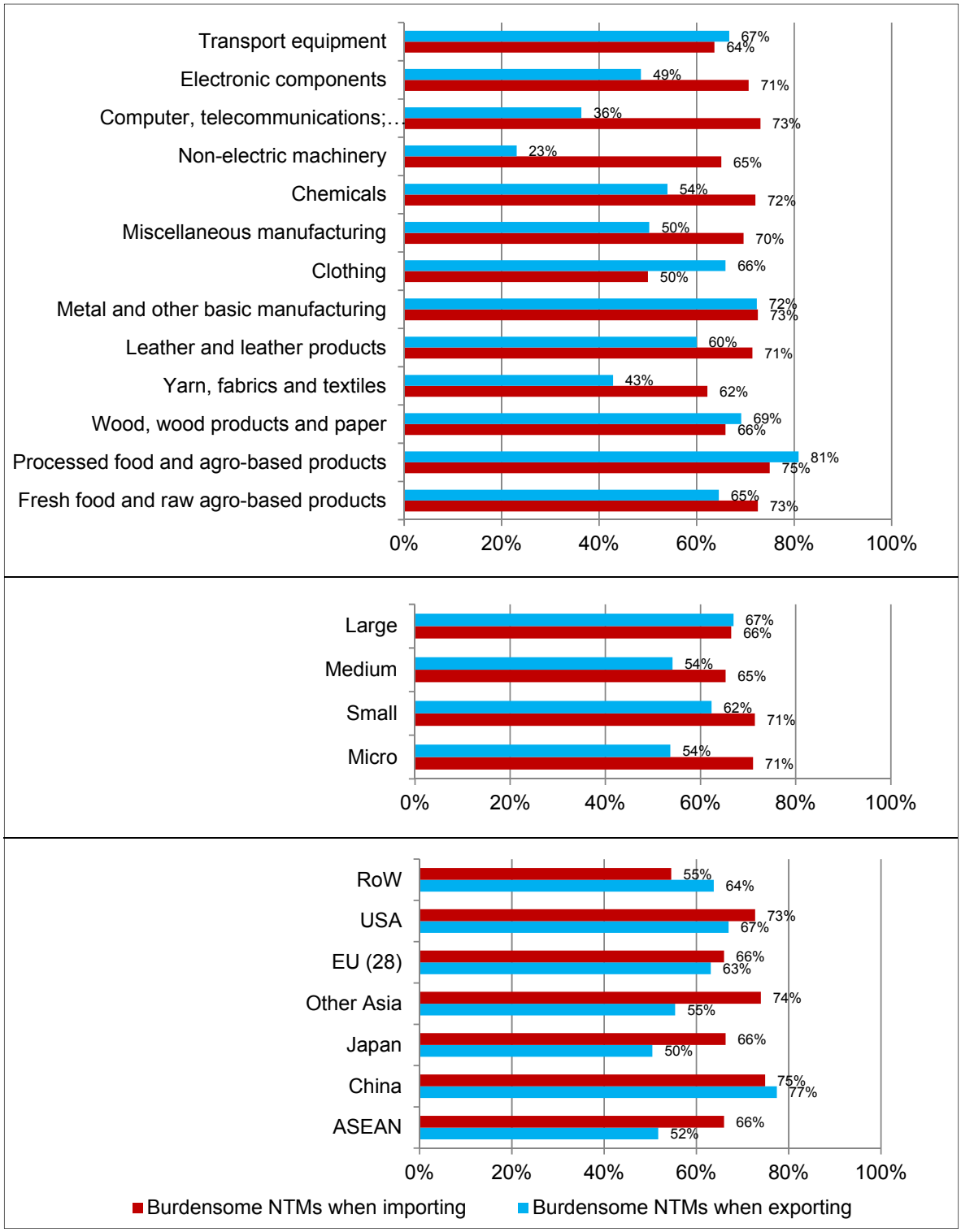
Among exporters, low- and medium-tech manufacturing sectors such as metals, wood, leather, clothing, and transport equipment are less affected. The majority of medium-tech companies for the electronics, chemicals and transport (automotive) sectors are located in economic zones that are tariff-free and enjoy special trade facilitation privileges from the government. This is perhaps a reason why these sectors indicate both lower levels of exporting issues, as well as overall lower participation rates in the survey. For imports, the rate is roughly the same across most sectors at 70%, indicating that the problem for importers is crosscutting rather than sector-specific.

In terms of size, small and micro companies are the most affected among importers (71%). This is expected given their more limited capabilities in dealing with obstacles to trade. Among exporters large companies are most affected at 67%. To check if age and experience compensate for size, a closer look at micro firms interviewed shows that 53% of them have been in operation for 10 years or more, while for small and medium-sized firms this figure is 72% and 88% respectively.

The perception of NTMs and related trade obstacles depends on the origin and destination of traded products. For instance, 77% of Philippine exporters and 75% of importers doing business with China complain of NTMs-related obstacles, making it the most affected trading partner overall (figure 14). The second most problematic export market is the United States, where 67% of Philippine exporters cite obstacles. Japan, the biggest market for Philippine exports, has the lowest incidence of NTMs-related obstacles for exporters at 50%.

[16] While PS interviews broadly indicate the presence or absence of NTMs-related obstacles to trade, Face-to-Face (FTF) interviews discuss these issues in detail. Results of the face-to-face (FTF) interviews are discussed in detail under Sections 3.2 – 3.5.

Figure 14. Share of surveyed companies affected by burdensome NTMs, by sector, size and destination/origin markets



Source: ITC NTM Survey in the Philippines, 2014–2015.

Burdensome NTMs to exports

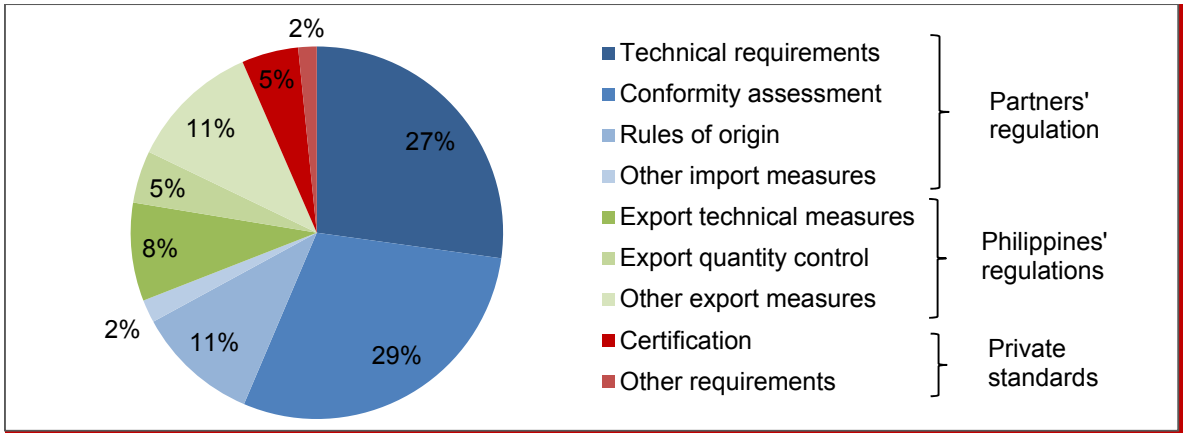
These results should be interpreted with a grain of salt. For the majority of interviewed Philippine exporters, the general perception is that anything required by the client, such as certifications, testing, labelling & packaging and fumigation requirements, is something that is non-negotiable and should generally not be considered a burdensome regulation. The mind-set is that any exporter who is unable to comply with such basic requirements or find some informal way to surmount them should not be in the business of exporting.

It is only by explaining that burdensome regulations may entail difficulties such as exorbitant costs, excessive paperwork, or informal payments that some exporters begin to express that they find issue with some regulations. Remember that the sample size includes only successfully exporting firms for whom exporting procedures may have become routine and unproblematic.

Figure 15 presents the breakdown of major NTM-related obstacles to trade for Philippine exporters. Table 2 summarizes NTMs by ranking of prevalence, subchapter (and their percentage breakdown) and NTM classification. The majority (69% of 750 NTM cases) of NTM-related obstacles for exporters are applied by partner countries. Most of exporters' NTM-related concerns come from product-specific measures: conformity assessments (29%) that include product certification and testing, and technical requirements (27%) that include fumigation and labelling (Table 2). Other burdensome regulations applied by the partner countries concern rules of origin (11%).

One exporting obstacle in every four (24%) is applied by the Philippines as export-related measures and mainly include clearance procedures, technical certifications and licence permits. While the NTM regulations themselves may originate in partner countries, the associated POs causing issues may either be domestic or foreign in origin. Private standards are included in the survey results and comprise 7% of obstacles even though they do not fit the standard definition of NTMs.

Figure 15. Type of NTM-related obstacles for exporters



Source: ITC NTM Survey in the Philippines, 2014-2015.

Table 2. Principal categories of NTM-related trade obstacles for exporters

Key NTMs, ranked	Specific NTMs, by subchapter	Breakdown	Classification
1. Conformity assessments	Product certification	16%	**Technical measures**
	Testing	10%	
	Others (inspection, quarantine, traceability, registration)	3%	
2. Technical requirements	Fumigation	13%	
	Labelling	9.5%	
	Registration due to food borne risks, diseases and pests	2%	
	Others (tolerance limits, production procedures, prohibitions)	2.5%	
3. Rules of origin	Rules of origin and related certificate	11%	**Non-Technical measures**
4. Other import measures	Pre-shipment inspection and other formalities, consular invoice fee, tariff rate quotas, prohibitions and others	2%	
5. Other export measures	Export clearance procedure, cargo logistics clearance, etc.	11%	**Export-related measures**
6. Export technical measures	Certification required by exporting country	3%	
	Others [export technical measures unique to specific government agencies]	5%	
7. Export quantity control	Licensing or permit to export	3%	
	Registration and others	2%	
8. Private standards	Product certification	5%	**Private standards**
	Other private requirements	2%	

Source: ITC NTM Survey in the Philippines, 2014-2015.

Complex product certification and testing

Product testing and certification for SPS and TBT reasons are usually cited as costly in terms of time, effort and money. These originate from partner countries importing the goods, most commonly from the European Union, for certification and testing, and the United States, China and ASEAN for product certification, affecting processed and fresh food products, furniture and handicrafts, and electronics products.

A common occurrence in product certification is the need for companies to refer to an accredited third-party entity (mostly private but also sometimes public) designated by the regulator to perform the certification. This may trigger subsequent procedural obstacles, such as delays (often due to the limited/inappropriate facilities related to the reported certificate in the home country), additional costs, or excessive administrative burdens.

This signals a lack of available or affordable local testing and certification services and facilities for exporters. Exporters lament that the lack of lighting-specific testing services as the main reason for the decline of lighting exports. For more complex electronics such as original design manufacture (ODM) products, the difficulties that Philippine SMEs face in developing, testing and certifying

The Middle East prohibits use of colour additives (e.g. tartazin), preservatives (e.g. potassium sorbate and sodium benzoate), and alcohol content. My shipment of root beer was once rejected because they detected a very tiny percentage of alcohol in it, which is the same amount as in carbonated fruit drinks.

An exporter of fruit juices

I cannot access markets in the US and EU because of the lack of local testing and certifying facilities with CE (for the EU) and UL (for the US) standards in the Philippines. The volume of demand is not enough to pay for certification, and my products have to be sent to Singapore or Hong Kong where facilities are available, and this used to cost P135,000 plus P3,000 per inspection of shipments.

An exporter of lighting

their innovations is a significant roadblock to exporting home-grown products. The Department of Science and Technology's (DOST) Electronic Product Development Center (EPDC), while established to help address this issue, remains underutilized.

Fumigation and labelling requirements

Mandatory fumigation for markets such as the United States, the European Union and Australia are a problem for furniture and handicrafts exports. Fumigation is considered a necessary and expensive evil, with costs reaching between PHP 5,000 to 10,000 per shipment. The Australian market requires accredited fumigation service providers that charge higher service fees. Some exporters complain that China requires either fumigated wooden pallets with complicated markings on each side of the crate or non-wood pallets.

Australia requires Australian Fumigation Accreditation Scheme (AFAS)-approved fumigation treatment of methyl bromide for exported products. I pay around Php 30,000 for testing, marking and supervision of the fumigation treatment.

An exporter of hats

Labelling and translation requirements for agri-foods exports to the United States, the European Union, the Middle East, and ASEAN as well as garments exports to Chinese Taipei are a big concern. Labelling or packaging requirements are often subsidized or provided by clients, but the effort required to develop, translate, produce and apply them can be taxing for smaller enterprises, especially in the agri-foods sector.

EU has many product labelling requirements such as font and layout formatting; product specification; ingredients used; and must be translated to local language. My entire packaging is covered in sticker labels.

An exporter of sauces

Lengthy export procedures

A quarter of issues stem from domestic export-related regulations such as other export measures (especially export clearance procedures) (11%),[17] export technical measures (8%), and export quantity control (5%). The most affected products are processed and fresh food exports, and furniture and handicrafts exports. Manufacturing-related products are typically safely ensconced in ecozones and are less concerned with these issues.

I must input everything online, and the BOC's server is not the most reliable. Despite this, BOC personnel still require me to send a person to manually deliver the ED forms at the BOC office, with an accompanying P70 payment per shipment before the forms can be truly processed. This payment does not come with an Official Receipt.

An exporter of shell crafts

A main issue is the Bureau of Customs' on-going attempts to digitalize its Export Declaration (ED) process under its E2M one stop shop system, which is a source of informal payments and red tape. Some exporters complain that the procedure can be redundant because they are still required to submit their documents manually, and infrequently with accompanying informal payments. As information must now be inputted via online forms this can pose a challenge to Philippine SMEs that lack the computer facilities, stable Internet access or the technical manpower to use the facility.

There are discrepancies in export procedure policies between Customs or port authorities in Manila and in the provinces. Cebu Customs takes very long to process export documents because it lacks administrative staff.

The Bureau of Fisheries and Aquatic Resources requires HACCP certification from exporters, which involves 29 lab tests, even though HACCP is not required for some markets such as Japan, China and Chinese Taipei.

An exporter of frozen seafood

As a workaround, some exporters in Cebu have an informal agreement to pay an additional PHP 20 per export document transaction that Cebu Customs uses to fund hiring additional administrative staff. The port of Metro Manila requires a new set of export documents different from those issued by the

[17] These involve "unclassifiable" export regulations such as the general export clearance procedure, the automated processing of export forms, or the movement of shipments for export including the Terminal Appointment Booking System (TABS) to relieve port congestion. These measures will be referred to as 'export clearance and related procedures'.

port of Davao, which is a concern for exporters in Mindanao that must then process a new set of documents costing PHP 1,500 each time.

Export technical measures come from Philippine regulating agencies exerting their mandates for public health and safety through complex technical export clearance documentation and testing. Agri-food products suffer the brunt of these regulations under agencies and bureaus such as FDA, BFAR, BPI, and DENR.

Rules of origin and other import measures

Of the remaining obstacles, rules of origin are the non-technical measure with the biggest share (11%). Most affected products are garments and processed foods, for export to the European Union, Japan, the United States and ASEAN markets. Exporters complain that Forms A, E and D requirements for Certificates of Origin (CO) and Rules of Origin (ROO) documents are difficult to comply with, adding time and cost delays to shipment. There are reports of informal payments being demanded by the BOC to process CO forms. A common concern in Middle Eastern markets such as Saudi Arabia is the requirement for export certification documents to be certified and legalized by the embassy at a price of around PHP 4,000 per shipment, typically affecting processed food products.

The UAE requires my documents to be notarized and stamped by their embassy for each shipment.

An exporter of fruit juices

I cannot export heavy knitted garments to the EU because raw mats for these are sourced from non-GSP+ countries such as China. Only light knitted fabrics can be exported to these countries.

An exporter of garments

Mandatory private standards

Private standards round out the biggest obstacles to trade with 7% of issues, most affect fresh and processed food exports. For SPS and TBT requirements, most exporters do not differentiate between private standards or NTMs. For them, these are the same. For instance, exporters will specify that certifications for food[18] or industrial goods[19] be mandated by a partner country since in their experience all clients specific to that market require these certifications. For most exporters, private industry standards function almost like a required stamp of approval, not unlike official NTMs, as buyers for both agri-foods and manufacturing products will not accept goods that do not comply with their chosen private standards.

Origination of NTMs

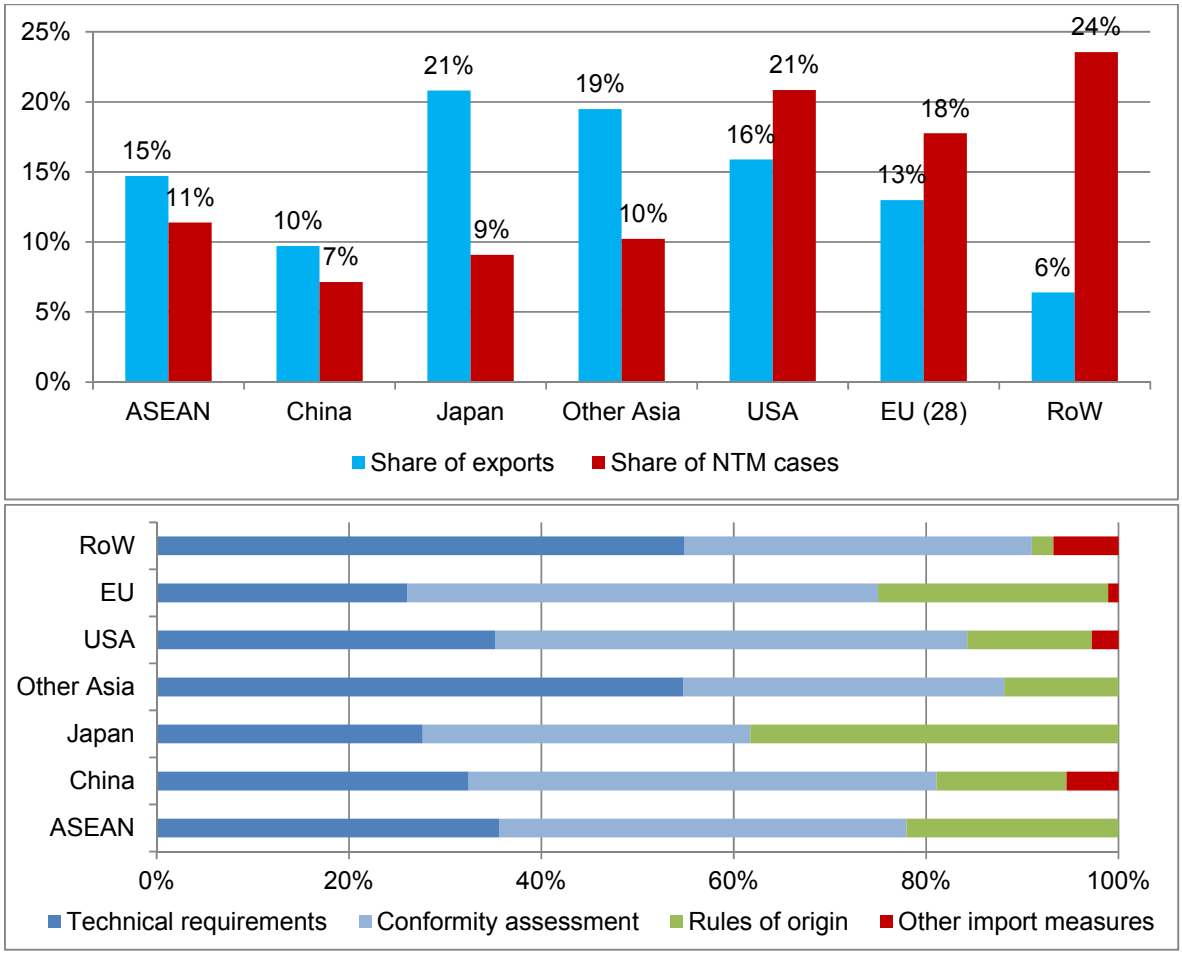
The incidence of burdensome NTMs by export share (figure 16) shows that Japan and other Asian markets (Chinese Taipei, Hong Kong and Republic of Korea) constitute 40% of export shares but account for only a fifth of NTMs cases. The opposite is true for the United States and the European Union, which make up about 30% of all exports but are responsible for 40% of NTMs cases. As the main destinations of surveyed companies, the United States entails difficulties with fumigation HACCP (Hazard Analysis and Critical Control Points) certification requirements.

The European Union has very high standards for testing and certification requirements for especially agri-food products. By type of NTM, the Australian market is the most affected by technical requirements mostly specially accredited and costly fumigation requirements. Conformity assessments account for 20% of all NTMs in every market. The Middle East has the largest share of other import measures, which typically comprise embassy notarizations and consular fee requirements specific to these markets. Lastly, rules of origin compliance for exports comprise 40% of NTMs to Japan, the Philippines' biggest export market.

[18] HACCP, GMP, GAP, Kosher, Halal

[19] product safety, ISO or related product/sector-specific standards

Figure 16. Burdensome NTM cases by export market



Source: ITC NTM Survey in the Philippines, 2014-2015.

Export NTMs perceived as obstacles

The NTMs survey gathers information as to why NTMs are perceived as burdensome, both for their regulatory dimension and their associated procedural obstacles (POs).[20] For Philippine exporters, most NTMs applied by both partner countries and the Philippine government are perceived to be caused by POs or a combination of regulatory and procedural obstacles (Figure 17).

This means that the difficulty is in the implementation of NTMs rather than the regulation itself. This ratio is much higher for export-related measures implemented domestically by the Philippine government (between 76% and 94%) rather than import-related measures implemented by partner country governments on Philippine exports (between 33% and 68%). Difficulties with regulations per se range from being non-existent (0%) for some export clearance procedures[21] to only 13% for technical requirements, which are expected to be high as they usually comprise SPS and TBT.

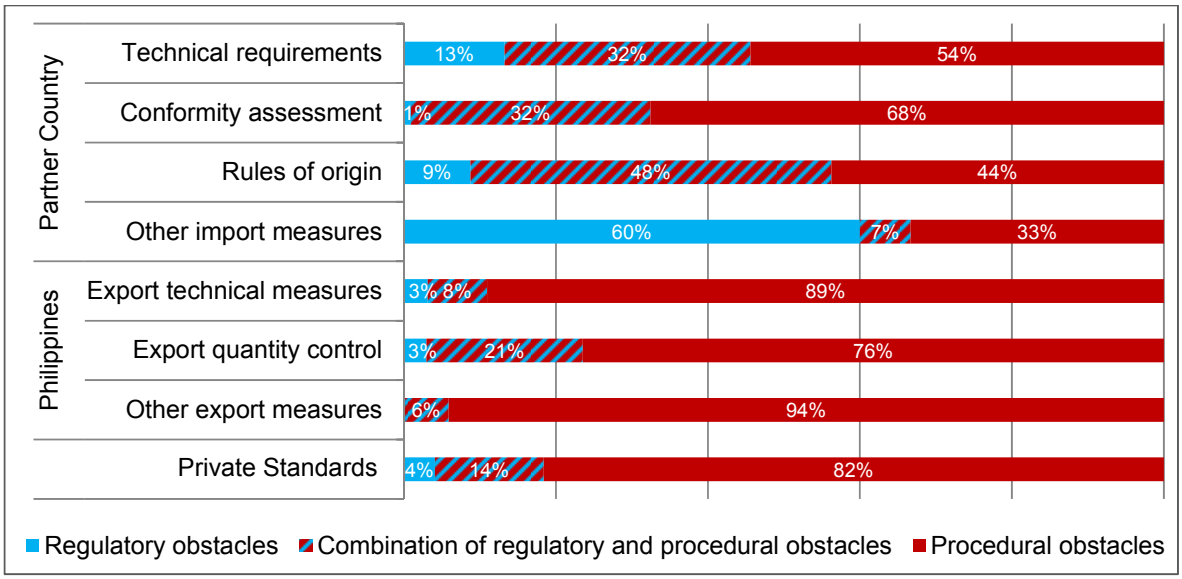
[20] While NTMs are government-mandated regulations that are either too strict or difficult to comply with (e.g. testing or certification requirements, quotas, quality controls or packaging requirements), POs are practical challenges in administration or transportation that prevent or hinder trade compliance with NTMs (e.g. long delays in testing or certification, inadequate facilities, or lack of adequate information).

[21] E.g. informal payments demanded for various stages of the export process.

The main exception to PO-linked regulations is 'other import measures' (60%), which concern few cases of quantitative or price control measures. Exporter also cites unusual additional export documentation, procedures or fees specific to a partner country.[22] However, these only comprise 2% of 750 recorded exporter NTMs (15 cases).

Private standards receive high rates of difficulties with POs (82%). This is likely due to clients' requirements for testing or certification in adherence to industry standards or best practices, which can be subject to numerous POs such as the lack of available testing facilities or the prohibitive cost of certification.

Figure 17. Reasons making export NTMs burdensome



Source: ITC NTM Survey in the Philippines, 2014-2015.

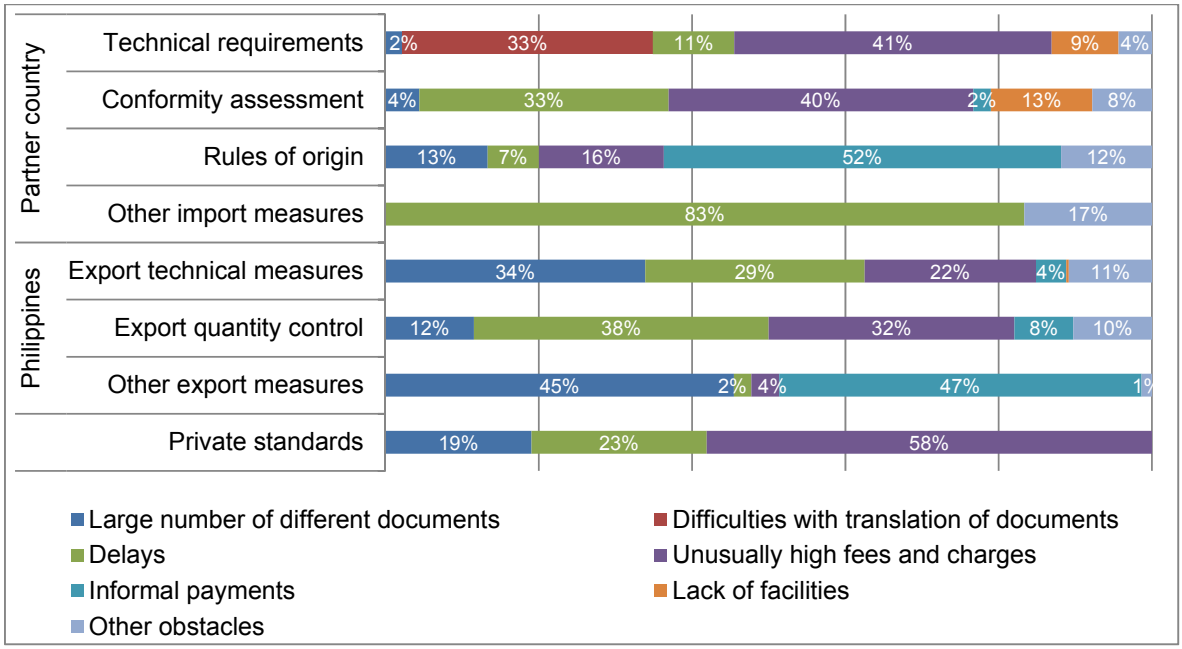
Most (94%) of POs occur in the Philippines. A more detailed look shows a large variation in the type of complaints recorded (figure 18). For instance, unusually high fees and charges (~40%) for testing and certification are what plague technical requirements and conformity assessments the most.

Difficulties with document translation (33%), typically labelling requirements, are an issue for technical requirements, while lack of locally-available testing facilities (13%) is another problem for conformity assessments.

For rules of origin (ROOs)-related cases, demand for informal payments (52%) to expedite the approval of these forms is cause for complaint. The same is true for other export measures which concern export clearance of goods. The cost of private standards is the main reason that makes them difficult to comply with.

[22] Specific cases include: The Turkish embassy requiring an additional Customs Registry Form; Qatar and Saudi Arabia requiring invoices and invoice fees of $500; the Unites States requiring advanced Importer Security Filing (ISF) to the US Customs and Border Protection before cargo can be loaded.

Figure 18. Type of procedural obstacles faced in the Philippines



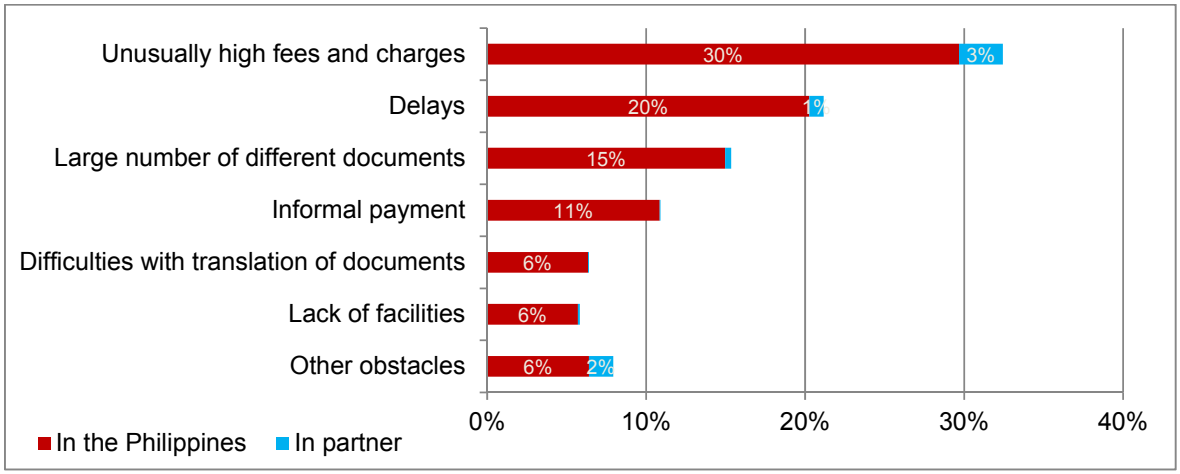
Source: ITC NTM Survey in the Philippines, 2014-2015.

Where procedural obstacles take place

The disparity between the prevalence of POs experienced in the Philippines in contrast to partner countries is disconcerting (Figure 19). Breaking down POs by country of occurrence and type shows that the vast majority of perceptions of unusually high fees (30%), delays (20%), too much paperwork (15%) and informal payments (11%) occur internally in the Philippines, as opposed to just 0%-3% in partner countries.

However, this result should be tempered by the observation that companies will tend to complaint about domestic export formalities more than those imposed by partner countries. Export formalities that occur after shipment become their buyer or importer's problem, and become issues of less concern.

Figure 19. Types of procedural obstacles faced by exporters



Source: ITC NTM Survey in the Philippines, 2014–2015.

Table 3 shows the relevant government agencies for each PO, as well as the incidence of NTMs attributed to being under their jurisdictions. The most problematic areas are highlighted in red as being 1) unusually – high fees and charges, 2) informal payments, 3) too much paperwork, and 4) delays.

The perception of high fees and charges and prevalence of delays as cross-cutting for accredited third-party entities, private standards and NTM-regulating agencies implies that compliance with conformity assessments and technical requirements are the perceived overall biggest issues for exporters. The FDA, BPI, BFAR, and DENR are government agencies particularly associated with these regulations.

Another important issue is informal payments. This problem is particularly acute during export clearance procedures of the Bureau of Customs (BOC). BOC officials demand numerous and unnecessary documents to issue export or import clearance documents, because it allows them to demand 'facilitation fees' when these documents are unavailable and the company is in a hurry. If they do not wish to pay informal fees, the firm is forced to secure additional permits, often at the cost of penalties and additional fees.

Getting an SPS certificate for export requires fumigation treatment, which costs around PHP 5,000 per shipment. The Department of Agriculture's policy to require additional accreditation and certification is redundant, given that we are already dealing with accredited private fumigators. We also have to give additional overtime pay and meals allowance to DA officials at PHP 800 per shipment.

An exporter of furniture

Table 3. Agencies involved in domestic POs

Agency \ Procedural obstacles	Unusually high fees and charges	Delays	Large number of different documents	Informal payment	Difficulties with translation of documents	Lack of facilities	Other obstacles
Bureau of Customs (BOC)							
Accredited third-party							
Food and Drug Administration (FDA)							
Private standards agencies							
Department of Health (DOH)							
Bureau of Plant Industry (BPI)							
Department of Trade and Industry (DTI)							
Bureau of Philippine Standards (BPS)							
Bureau of Fisheries and Aquatic Resources (BFAR)							
Department of Science and Technology (DOST)							
Department of Environment and Natural Resources (DENR)							
Other public institutions							
Other private institutions							
Not specified							

Legend: The different intensities of red, yellow and green indicate the frequency of a procedural obstacle occurrence at a particular public institution. Red indicates highest frequency while green indicates the lowest frequency. Blank cells indicate non-occurrence of such combinations.
Source: ITC NTM Survey in the Philippines, 2014–2015.

Exacerbating BOC's administrative issues is recent Manila port congestion events and logistics issues, including the implementation of the new Terminal Appointment Booking System (TABS) to organize the inflow of trucking, which exporters claim to be problematic and expensive, as well as already being exploited as an avenue for bribes.

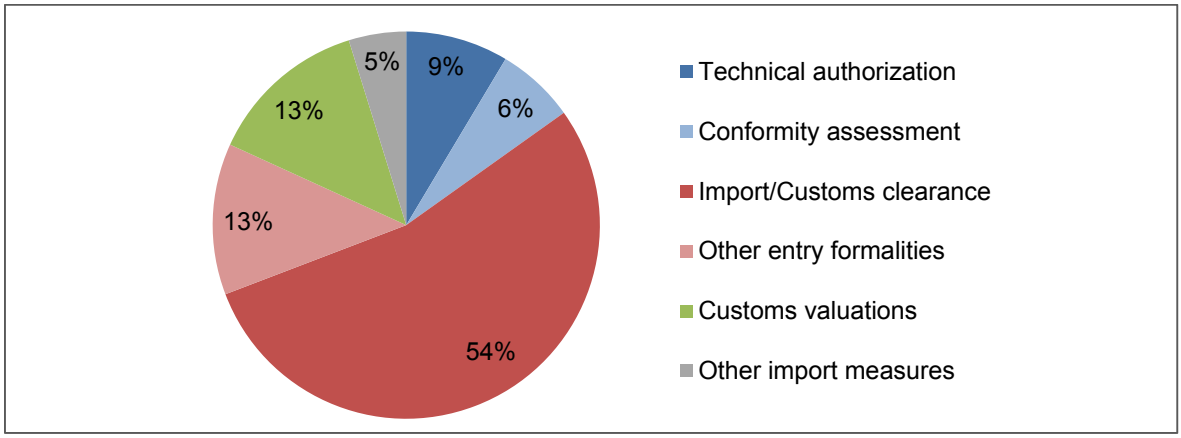
The 2015 World Bank Enterprise Survey [23] corroborates this data, citing that 31.5% of Philippine exporters identify customs and trade regulations as a major constraint to the business environment as opposed to a global average of 22%, while 35% consider corruption to be a major culprit compared to 32% globally.

> *The Bureau of Customs' new Terminal Appointment Booking System (TABS) to pre-book shipment slots at the Manila Pier now requires informal payments at multiple levels of interaction with BOC and port officials.*
>
> An exporter of metals

Burdensome NTMs to imports

Figure 20 shows that NTM-related obstacles to imports are skewed towards customs clearance procedures. Table 4 complements this with a listing of NTMs according to ranking of prevalence, subchapter (and their percentage breakdown) and NTM classification. 'Other import measures' may be classified as either technical or non-technical measures.

Figure 20. Type of NTM-related obstacles for importers



Source: ITC NTM Survey in the Philippines, 2014-2015.

More than half of NTM-related obstacles for importers occur for import or customs clearance procedures, while 13% come from customs valuation, two measures prone to bribe seeking. Other obstacles come from entry formalities such as import monitoring mechanisms, usually BOC import permits or licences (7.5%) and pre-shipment inspections (PSI) (5%). Technical authorizations[24] (8.5%) round out the major NTMs for importers.

This makes non-technical measures the predominant type of issue for imports.

[23] http://www.enterprisesurveys.org/.Note: scores chosen are for exporters (direct exports are 10% or more of sales).

[24] These include specific permits from agencies that regulate the import of goods that may harm public safety or the environment, such as such as the Food and Drug Authority, Department of Environment and Natural Resources, Philippine Drug Enforcement Agency, Commission on Elections and the Philippine National Police.

Table 4. Principal categories of NTM-related trade obstacles for importers

Key NTMs, ranked	Specific NTMs, by subchapter	Breakdown	Classification
1. Import/ Customs clearance	--	54%	**Non-technical measures**
2. Other entry formalities	Import monitoring and surveillance	7.5%	
	Pre-shipment inspection	5%	
3. Customs valuation	--	13%	
4. Technical authorization	--	8.5%	**Technical measures**
5. Conformity assessment	Product registration	2%	
	Product certification	2%	
	Others (inspection, testing, traceability)	3%	
6. Other import measures	e.g. fumigation, rules of origin, storage conditions, registration, other fees, licences, prohibitions	5%	**Various**

Source: ITC NTM Survey in the Philippines, 2014–2015.

Bureaucratic import clearance and arbitrary customs valuation

The Importer Clearance Certificate (ICC) requirement of the Bureau of Internal Revenue (BIR) is a big issue for importers as it entails numerous requirements, needs to be renewed yearly and causes a great deal of inconveniences, including monetary penalties and time delays, for importers. Although it was intended to curb smuggling and streamline the importing process by connecting all of the BIR's internal departments together, it instead creates more red tape because each department now requires importers to submit additional requirements and previously unnecessary reports before the BIR approves the company for the certification.

At the Bureau of Customs (BOC), import declarations valuations can be arbitrarily imposed sometimes, and additional payments of up to PHP 2,000-3,000 per BOC inspector (who come in pairs or trios) sometimes required to process shipments.

An exporter of tobacco

On average, this document takes 3 to 4 weeks (though some have been waiting up to 3 years) to process and incurs many unnecessary penalties. One exporter complained that it had to pay additional penalties of PHP 100,000 and had to wait for two months before obtaining a certificate.

Customs valuation is a common issue with the BOC, with many complaints about the arbitrary imposition of import tariffs on goods. One company complains that the Bureau of Customs unfairly values its imports by using a 3-month rolling period methodology, which overvalues the product by up to a hundred times the price originally paid. This significantly increases import duties.

Imported materials intended for use as raw materials in finished products for re-export within a prescribed period of time should be exempt from duties and charges by the Bureau of Customs. However many exporters cite that BOC has excessive requirements for exporters to prove that these materials should not be taxed. A garments exporter complains that the liquidation process for duty-free import of raw materials for re-export is too tedious and involves too many documents such as warehousing forms (Certificate of Identification (CI), Certificate of Loading (CIL), and Boat notes.)

Import licensing requirements

The biggest issue concerning import permits concerns the chemical sector. Importing any of 41 highly regulated chemicals that can be used for the manufacture of bombs requires five to seven permits, security escorts, and other stringent regulations from chemicals regulating agencies, This regulation has been present for a long time but has only been enforced and abused by certain agencies in recent

Importing chemicals that can be used for the manufacture of bombs requires five to seven permits from chemicals regulating agencies including the Philippine National Police, Philippine Drug Enforcement Agency, and Comelec.

An importer of paints and lacquers

years, with reports of astronomical informal payments. This has highly disrupted industry operations in many sectors.

Technical authorizations

Government agencies including the Bureau of Customs, the Department of Agriculture the Department of Environment and Natural Resources, and the Bureau of Fisheries and Aquatic Resources, require notarization of supplier contracts from importers. This is tedious and costly since it is done on a per shipment basis.

> *DENR requires suppliers' contracts from exporters for the raw materials they use, however these are very difficult for suppliers to provide, and sometimes need to be notarized by embassies from the country of origin of the raw materials.*
>
> An importer of lumber

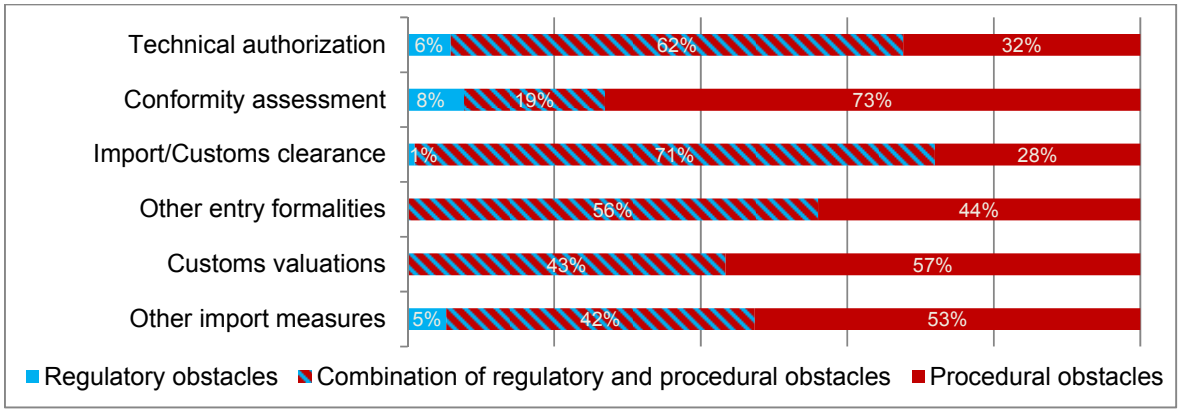
Import NTMs perceived as obstacles

While exporters perceive POs to be the main reason for their NTM-related obstacles, Figure 21 shows several import-regulating measures: customs clearance procedures (71%), technical authorizations (62%), and other import monitoring mechanisms (56%). This is perhaps because the primary obstacle for customs clearance involves the Importer Clearance Certificate (ICC) requirement of the Bureau of Internal Revenue (BIR). The ICC entails numerous documents to process, needs to be renewed yearly and causes a great deal of inconvenience, including monetary penalties up to PHP 100,000 and time delays of 2 to 6 months for importers.

Intended to curb smuggling and streamline the importing process by connecting all of the BIR's internal departments together, it has instead created more red tape because several departments requires importers to submit additional previously unnecessary reports such as summaries of sales and former penalties, before the BIR can approve the company for the certification.

The issue with technical authorizations can be largely attributed to the recent implementation of a PNP regulation on chemicals importation (discussed in section 3.4). Lastly, for 'other import monitoring mechanisms', these mostly refer to BIR import permits that can be linked to the ICC.

Figure 21. Reasons making NTMs burdensome to imports

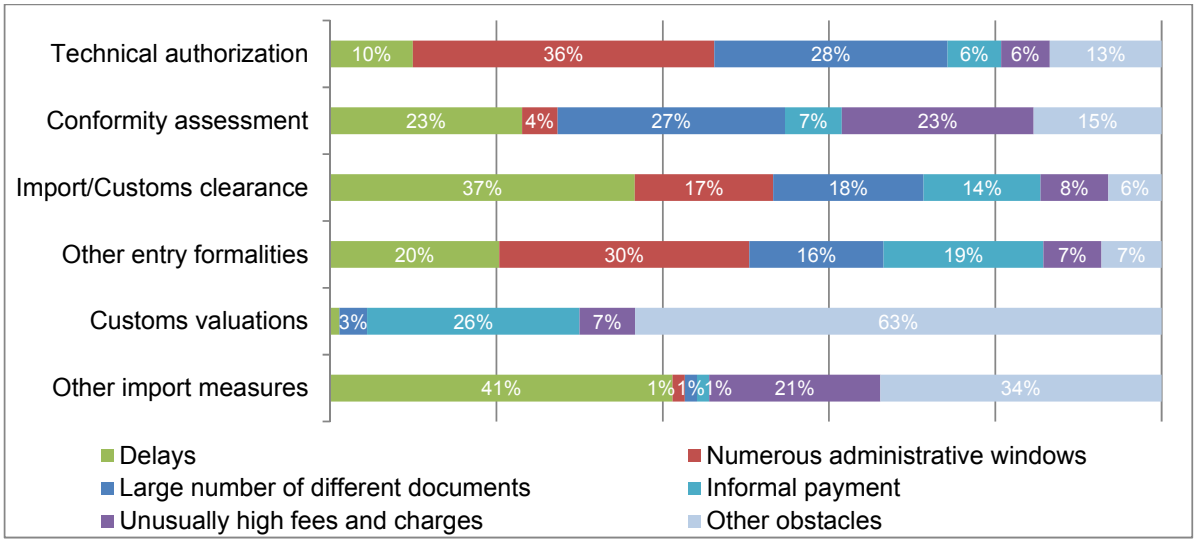


Source: ITC NTM Survey in the Philippines, 2014–2015.

NTMs by themselves are rarely cited as the reason for burdensome obstacles to trade by Philippine importers. POs (on their own or combined with NTMs) constitute from 28% to 100% of their NTMs obstacles. What differentiates importers from exporters is the increased need for expedience in facilitating trade procedures to avoid the demurrage and storage fees incurred by having arrived cargo sit idly at the port.

Figure 22 breaks down the types of POs encountered by importers. Import clearance, other entry formalities and technical authorizations as the most challenging NTMs by rank involve all types of POs led by delays, too much paperwork, red tape, and informal payments. The Philippine WBES estimates 16.4 days to clear imports in the country compared to a global average of 10.7 days.

Figure 22. Procedural obstacles faced by importers



Source: ITC NTM Survey in the Philippines, 2014–2015.

Customs valuation involves unclassifiable 'other obstacles' (63%). These mostly fall under either the improper assessment of goods or the frequent lack of domestic recognition of valuations from partner countries. Both significantly overvalue the traded products as international prices are usually much cheaper. This prompts importers to seek "facilitative" means (26%) by which to address the issue.[25]

Where import procedural obstacles originate

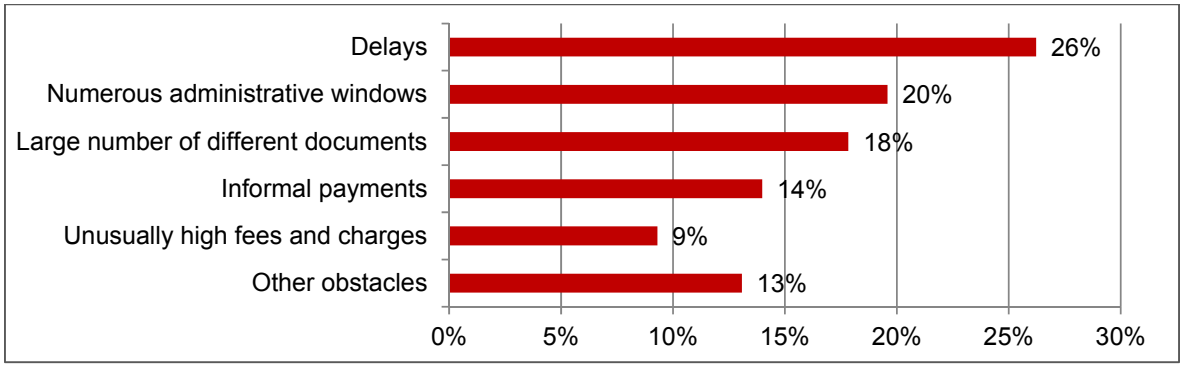
Figure 23 shows the frequency of occurrence of import-related POs. Delays (26%) are the biggest complaint. This is followed by the large number of administrative windows (20%) and paperwork (18%) involved, informal payments (14%), and incidence of high fees and charges (9%).

Table 5 highlights the centrality of the BOC and the BIR in importers' procedural obstacles to trade, accounting between themselves 73% of POs.

Commonly cited among importers is that BOC officials demand numerous and unnecessary documents not listed in the official list of requirements to issue import clearance documents. This lets Customs officials to demand bribes when these documents are unavailable and the company is in a hurry. If they do not wish to pay informal fees, the firm is forced to secure all these additional permits, often at the cost of penalties and demurrage fees on their shipments that cannot be released.

[25] Even with the anonymity assured by the surveys, firms appear very reluctant to share that they regularly pay informal facilitative fees to expedite import procedures, though all indicators show that this is standard operating procedure for the vast majority.

Figure 23. Types of procedural obstacles faced by importers



Source: ITC NTM Survey in the Philippines, 2014–2015.

Table 5. Agencies involved in domestic POs experienced by Philippine importers

Agency \ Procedural obstacles	Delays	Numerous administrative windows/organizations involved, redundant documents	Large number of different documents	Informal payment	Unusually high fees and charges	Other obstacles
Bureau of Customs (BOC)						
Bureau of Internal Revenue (BIR)						
Philippine National Police (PNP)						
Philippine Drug Enforcement Agency (PDEA)						
Securities and Exchange Commission (SEC)						
Commission on Elections						
Food and Drug Administration						
Department of Environment and Natural Resources						
Department of Trade and Industry (DTI)						
Other public institutions						
Other private institutions						

Source: ITC NTM Survey in the Philippines, 2014–2015.
Legend: The different intensities of red, yellow and green indicate the frequency of a procedural obstacle occurrence at a particular public institution. Red indicates highest frequency while green indicates the lowest frequency. Blank cells indicate non-occurrence of such combinations.

The BIR is seen to be beset by an unprecedented volume of delays and red tape for importers primarily because of its new Importer Clearance Certification regulation. The PNP and PDEA obtain many complaints from the regulation on the import and sale of household chemicals. The WBES takes more than twice as long (47.8 days) to obtain an import licence in the Philippines as opposed to an average of only 17.5 days in all countries surveyed.

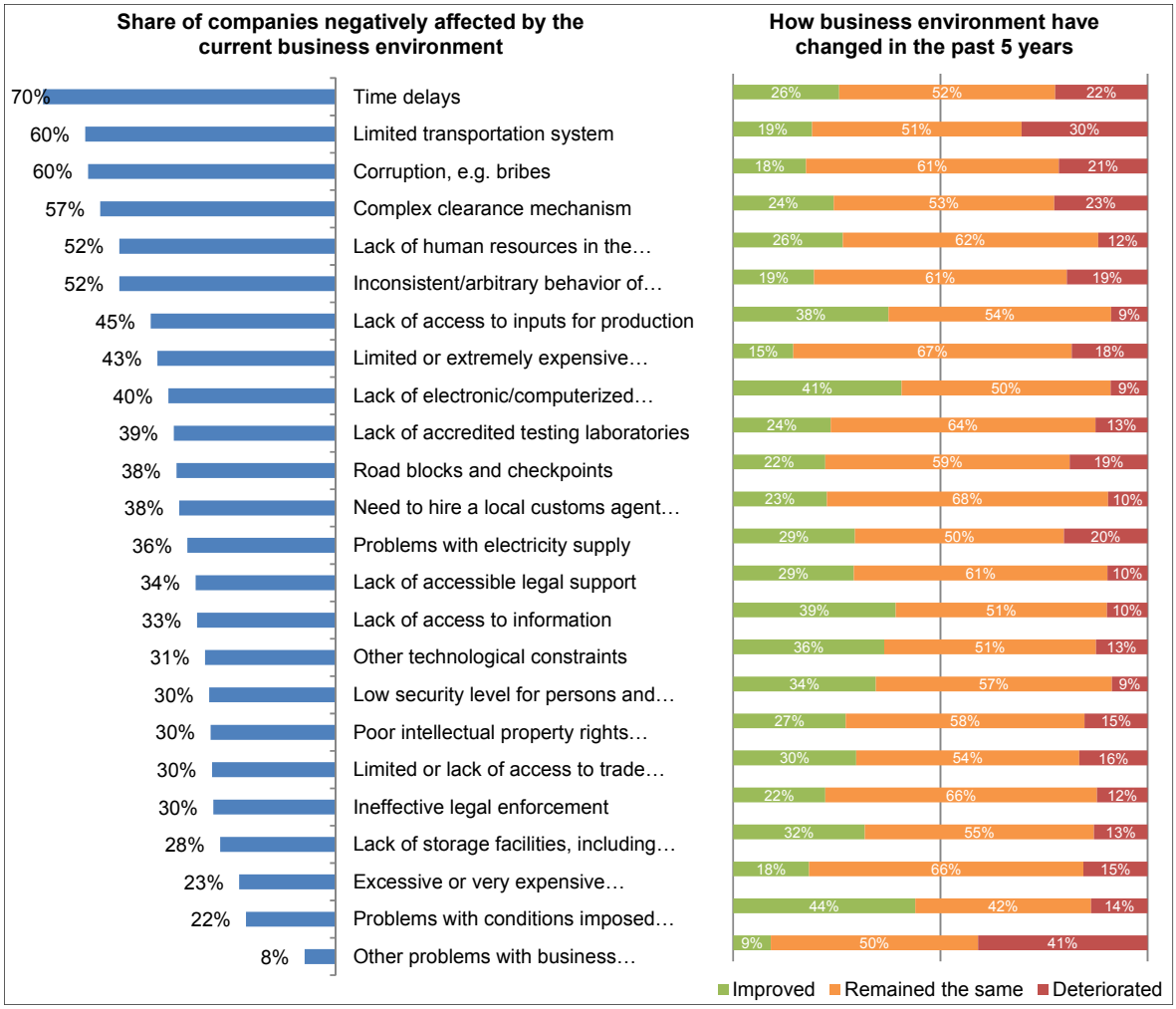
Business environment problems

The results on the business environment parallel NTMs responses, and mirror typical complaints of enterprises in terms of POs administered by trade facilitating government agencies. Time delays (70%) figure prominently and reflect perceptions of red tape and bureaucracy in trade facilitation procedures.

The limited transport system (60%) is a complaint against the notorious traffic in Metro Manila for trucks delivering goods for shipment and into economic zones. This has worsened in the past five years and was highlighted during the Manila port congestion issues caused by the Manila city truck ban in 2015.

Corruption (60%) is a prevalent issue, especially with Customs clearance procedures and government regulations in general. Complex clearance mechanisms (57%), lack of human resources (52%) and inconsistent behaviour of government officials (52%) complement problems of time delays and general institutional inefficiencies severely hamper the business environment. For most of these issues, 60% of respondents say that the issues has remained the same over the past five years, indicating that business confidence in government is tepid at best.

Figure 24. Company perspectives on the trade-related business environment



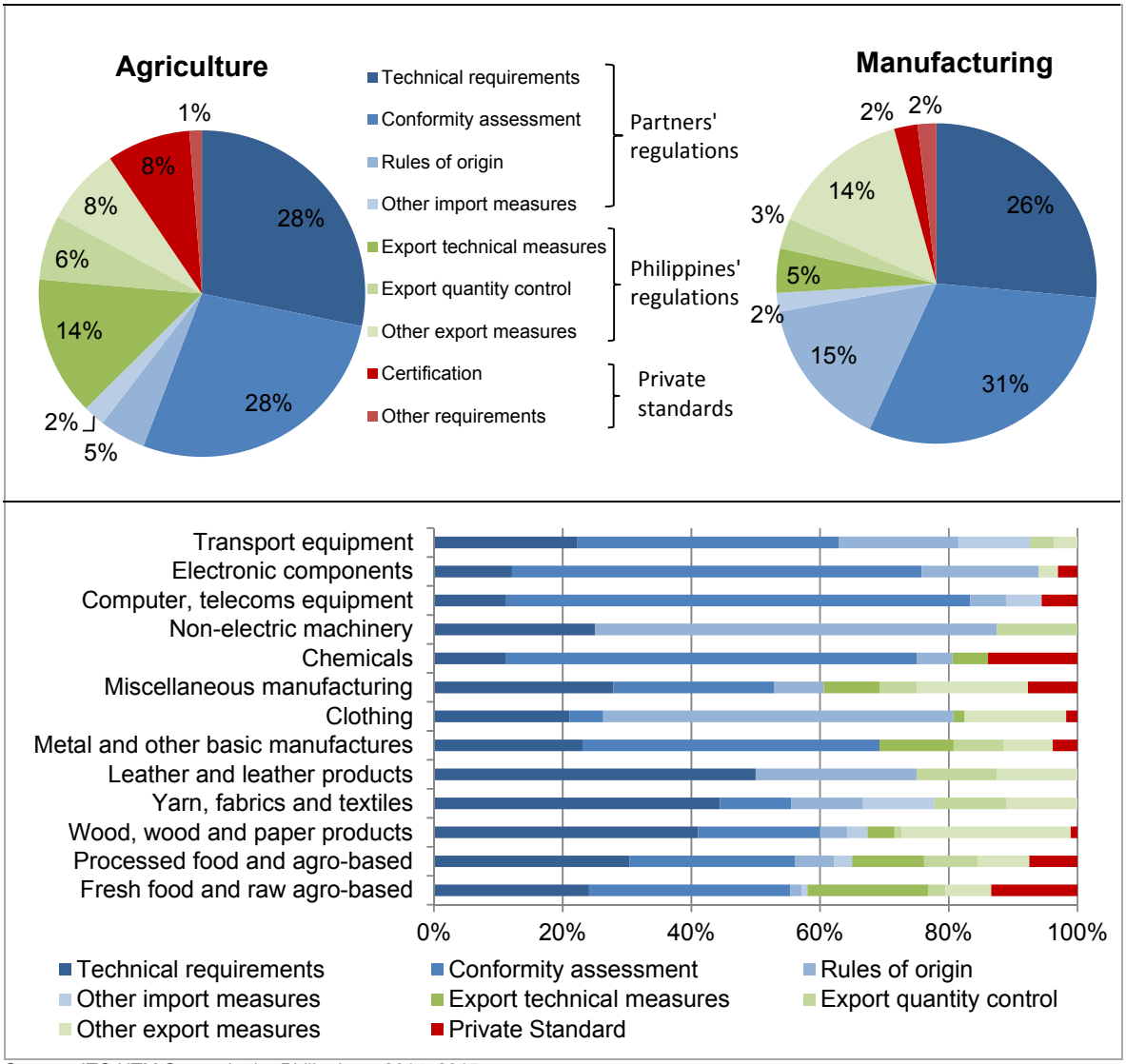
Source: ITC NTM Survey in the Philippines, 2014–2015.

Chapter 4 Highlight on export sectors

Excluding minerals and arms, assembly activities in the manufacturing sector make up 91% of the Philippines' $55.2 million exports. The agri-foods sector comprises 9% of exports ($4.87 million). However, agriculture is an integral part of the Philippine economy and its fast-growing population, contributing almost a third of national employment and the bulk of domestic consumption. The trade structure of exports is paralleled by the country's $61.1 million imports, which roughly mirror exports through the importation of inputs to assembly production for exported final goods (see Chapter 1).

For a sectoral perspective, figure 25 breaks down burdensome NTMs by sector and source for exporting firms and shows that the bulk of all NTMs faced by agri-food sectors (63%) and manufacturing sectors (74%) originate from partner countries' regulations (in blue).

Figure 25. Burdensome NTMs by sector and source



Source: ITC NTM Survey in the Philippines, 2014–2015.

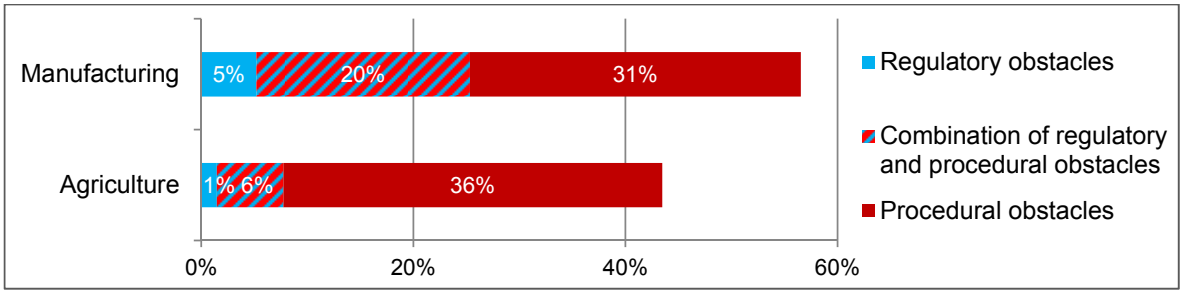
Conformity assessments and rules of origin (ROOs) are more prevalent in manufacturing than in agri-food sectors, centring on the electronics, chemicals, metals and machinery sectors. Technical requirements are more prevalent in agri-food sectors, being highest in leather and textiles and wood products.

Export-related measures (in green) originating from Philippine regulations are a cause for concern, affecting 28% of NTMs concerns in agri-foods sectors and 22% in manufacturing sectors. This is due to the high number of SPS regulations imposed by public health regulating agencies on agriculture-related exports, while most of the manufacturing sector is sequestered in export processing zones.

For export-related NTMs, export technical measures (14%) are more common in agri-food sectors while issues with export clearance and related procedures (similarly 14%) are more frequently encountered in manufacturing sectors. Across all sectors, export-related regulations account for 15% of NTMs, except for manufacturing sectors such as electronics, transport and chemicals that are largely ecozone locators. Lastly, 9% of NTMs concerns in agri-foods sectors and 4% in manufacturing sectors are cited as originating from private standards [in red].[26]

The majority of both manufacturing and agri-food exporters cite either procedural obstacles (POs) or a combination of POs and NTMs as their major obstacles to trade (figure 26). PO complaints are more prevalent in agri-foods than in manufacturing. Agri-food exports are more vulnerable to export-related POs. Because they are more likely to export and have ecozone status, manufacturing firms suffer less from POs.

Figure 26. Reason NTMs are burdensome



Source: ITC NTM Survey in the Philippines, 2014–2015.

Burdensome NTMs for manufacturing

The Philippine manufacturing sector is comprised of a collection of low and medium-tech assembly activities, particularly in the electronics and automotive sectors that form part of regional production networks centred in the United States, Japan or China. Some mid-to-high tech research and development capability exists within multinational operations in the country.

Not much technology spill over occurs to benefit domestic firms and the sector has been trapped in the mid-level manufacturing phase for the past four decades.[27] The advent of renewed policy interest in global value chains, new industrial policy, and much-improved gains to production from the globalization of manufacturing and ICT technologies indicate significant potential for improvement. However government initiatives have been slow and buy-in from long-disenchanted private sector stakeholders has been difficult to cultivate.

The semiconductor and electronics industry continues to dominate manufacturing and has been the top export earner since 1996. Since then electronics has consistently dwarfed all other sectors to comprise around 40%-50% of all exports[28], though this has been on a declining trend from a high of 72% in 2002. Of the other manufacturing subsectors, only wooden furniture (7%) and automotive (6%) contribute with some weight to exports. Two minor sectors have cited NTMs-related concerns and are included in the discussion: garments, textiles and leather that cumulatively contribute around 4% to exports, and chemicals at 3%.

[26] Private standards are discussed in more detail in 3.2 Burdensome NTMs for exporters.

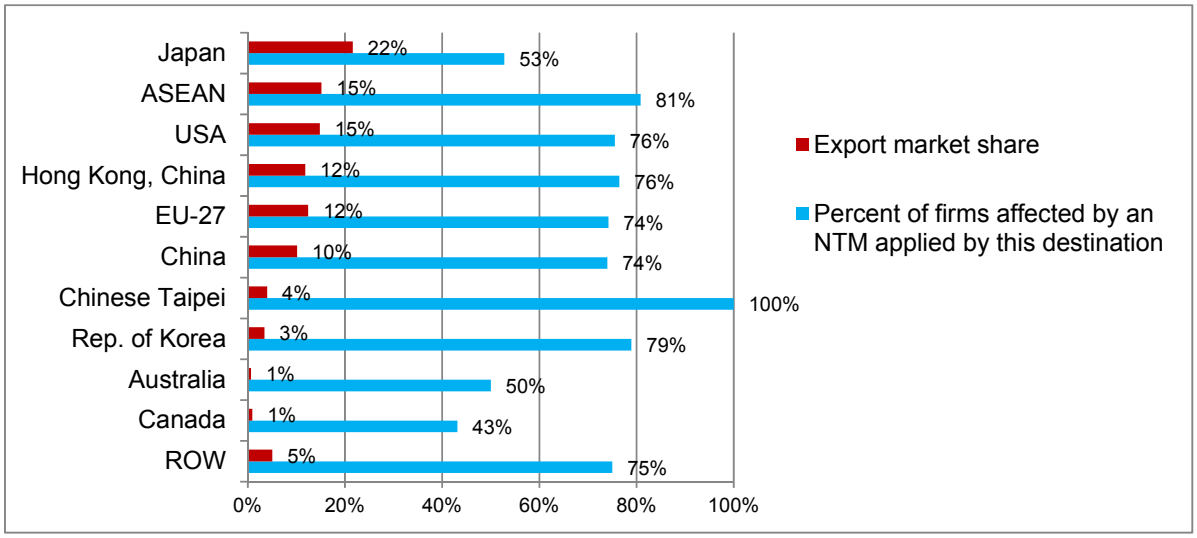
[27] Paul Krugman visited the country in the 1990s and declared that 'manufacturing in the Philippines was an illusion'.

[28] Almost 60% if minerals and arms are not included in totals.

Most export-oriented manufacturing activity for major sectors such as electronics, chemicals and automotive takes place in economic or export processing zones (ecozones) that provide tax incentives and trade facilitating benefits. Almost 99% of large multinational companies with semiconductor assembly activities in the electronics sector are located in ecozones.

Main Philippine manufacturing exports markets reflect major electronics-producing economies such as Japan, ASEAN, the United States, the European Union and China (figure 27). NTMs are highest for Asian markets, and lowest for Australian and Canadian markets. The exception is Japan, which is the country's biggest export market but reports one of the lowest incidences of NTMs cases. Chinese Taipei and Republic of Korea have much lower market shares, but are responsible for a larger share of d NTMs.[29]

Figure 27. Manufacturing exports and NTMs applied by partner countries



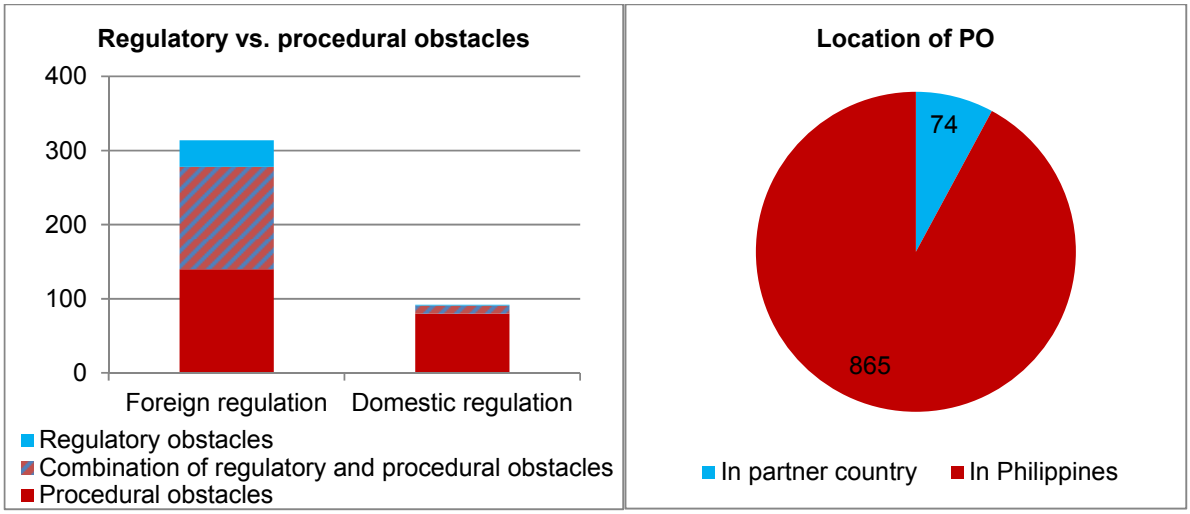
Source: ITC NTM Survey in the Philippines, 2014–2015.

NTMs and PO affecting manufacturing exports

Figure 28 summarizes the distribution of manufacturing-related NTMs for partner country and Philippine regulations. Most NTMs originate from partner countries. The vast majority of manufacturing NTMs have POs domestically-originating (more than 98% for *both* partner country and Philippine regulations).

[29] Of 12 recorded NTMs imposed by Chinese Taipei, labeling requirements for garments comprised the majority.

Figure 28. Manufacturing-related NTMs vs POs, by origin

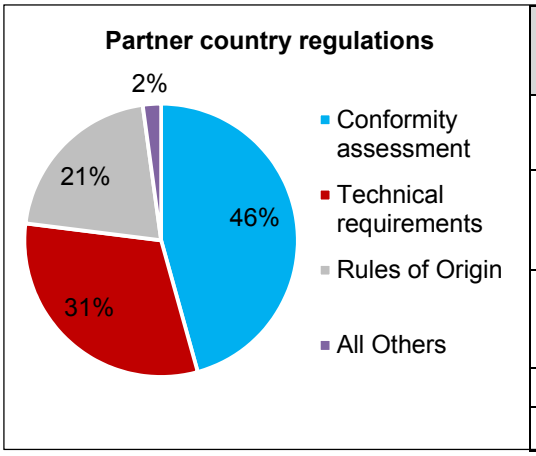


Source: ITC NTM Survey in the Philippines, 2014–2015.

The manufacturing sector is most burdened by NTMs accompanied by POs that originate internally from the Philippines. The next few sections focus on NTMs associated with these domestic POs and the local government agencies or private entities that regulate them.

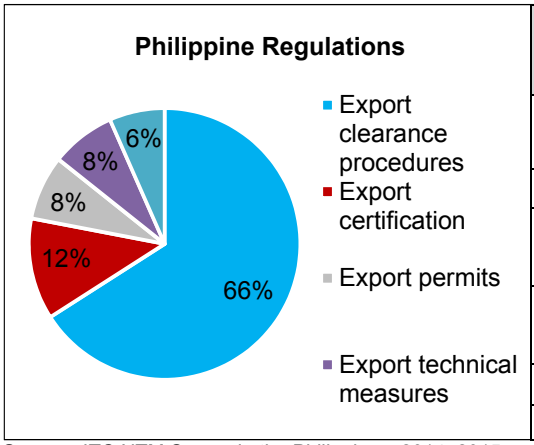
Manufacturing exporters mostly complain about conformity assessments (e.g. product certification and testing) (46%), technical requirements (e.g. fumigation and labelling) (31%), and rules of origin (21%) from partner country regulations (Figure 29). This is understandable given the need to ensure safety and quality of manufactured goods products. For these types of NTMs, delays, high fees, limited testing facilities and informal payments are the most problematic administrative issues.

Figure 29. Top Manufacturing-related export NTMs and their associated domestic POs



Manufacturing export NTMs in partner countries	Most common domestic POs[30]	% of Total
1. Conformity assessment	Delays	20%
	Unusually high fees	17%
2. Technical requirements	Unusually high fees	20%
	Limited testing facilities	5%
3. Rules of Origin	Limited testing facilities	10%
	Informal payments	10%
All Others		18%
Total		100%

[30] Note that this chart only shows commonly encountered POs with their equivalent share of *all* POs encountered. All other remaining POs are included in the All Others column.



Manufacturing export NTMs in the Philippines	Most common domestic POs	% of Total
1. Export clearance procedures	Informal payments	26%
	Too much paperwork	24%
2. Export certification	Delays	3%
3. Export permits	Delays	3%
	Unusually high fees	3%
4. Export technical measures	Delays	6%
	Unusually high fees	6%
All Others		30%
Total		100%

Source: ITC NTM Survey in the Philippines, 2014–2015.

Table 6 summarizes the most common burdensome POs for manufacturing exporters and importers, along with the most cited associated regulating government agencies or private sector entities that administer them. A third of all exporters complain of high testing fees from accredited third parties (21%), which is understandable given the high cost and low availability of such services. Delays in processing (20%) from private as well as government agencies; informal payments (16%) and too much paperwork (8%) from the Bureau of Customs; and limited testing facilities (11%) also crop up as common issues.

Table 6. Manufacturing-related POs and associated regulating entities

Most Common Export POs		Most Common Originating Entity	
1. Unusually high fees	34%	Accredited third-party	21%
		Bureau of Plant Industry	5%
		Department of Environment and Natural Resources	2%
		Bureau of Customs	2%
		Private Standards agency	2%
2. Delays	20%	Accredited third-party	8%
		Bureau of Philippine Standards	3%
		Department of Trade and Industry	3%
		Bureau of Customs	2%
3. Informal payments	16%	Bureau of Customs	16%
4. Large number of documents	12%	Bureau of Customs	8%
		Accredited third-party	2%
5. Limited testing facilities	11%	Bureau of Product Standards	3%
		Department of Trade and Industry	3%
		Department of Science and Technology/MIRDC[31]	3%
Others	7%	Others	20%
Total	100%	Total	100%

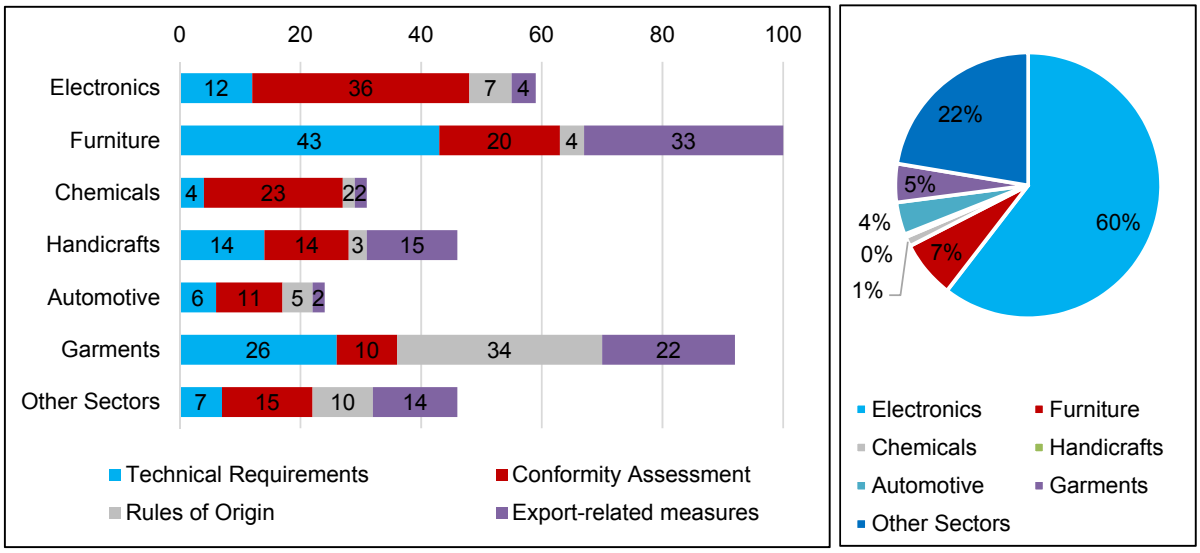
Source: ITC NTM Survey in the Philippines, 2014–2015.

[31] Metals Industry Research and Development Center

Affected manufacturing export sectors

This section details experiences with NTMs based on focused group discussions (FGDs) held with selected sectors, including electronics, furniture, chemicals, handicrafts, automotive, and garments. Figure 30 details each manufacturing subsector and its most common associated NTMs vis-à-vis the subsector's export market share. The most problematic NTMs are conformity assessments for electronics, technical requirements for furniture, and a mix of technical requirements and rules of origin for garments.

Figure 30. Manufacturing export sectors and most common NTMs



Source: ITC NTM Survey in the Philippines, 2014–2015.

Electronics sector

The electronics sector, while largely insulated in ecozones, maintains that it still contends with trade facilitation issues. The majority (98%) of which are caused by either purely procedural combined or not with regulatory obstacles, including informal payments from inspections and rules of origin, the lack of quality facilities for testing, and costly fees for fumigation and testing.

There is the prevalence of bribes for inspection of goods, inconsistently applied depending on officials dealt with in Customs, along with the very expensive warehousing costs for BOC accredited partners.

There are too many delays for the numerous permit requirements from agencies such as PNP, DENR, and PNRI. For rules of origin (ROO) and certificate of origin (CO) issues, Form D, A and E requirements are difficult.

Product certifications for Japan and the Republic of Korea are difficult to obtain in the country and require shipment out to Singapore or Chinese Taipei, creating delays in lead time.

Product testing for electromagnetic compatibility and interference is not available with local companies. There is a problem with Customs' inefficient implementation of its recent infrastructure and procedural reforms.

> *I cannot access markets in the US and EU because of the lack of local testing and certifying facilities with CE (for the EU) and UL (for the US) standards in the Philippines. The volume of demand is not enough to pay for certification. Products have to be sent to Singapore or Hong Kong where facilities are available.*
>
> An exporter of lighting

> *Export requires numerous tests for product quality and performance through Intertek, which costs $100-$200 per item. This used to be available from the Forest Products Research and Development Institute (FPRDI) for Php10-15,000 but this is closed now and there are no local testing facilities. Other tests include flammability, TBS 117, and prohibited chemicals, which can cost up to $5000.*
>
> An exporter of furniture

For instance, BOC's E2M digitalization of import-export documents still requires manual submission of paper copies.

Furniture sector

The furniture sector is one of the most labour-intensive industries in the Philippines, with 98% of firms classified as SMEs (DTI, 2015). Most of the industry's problems stem from POs or a combination of POs and NTMs (92%), from informal payments related to export clearance measures and high charges for fumigation.

The sector cites DENR requirements for suppliers' contracts from exporters for the raw materials they use, which are very difficult for suppliers to provide and need to be notarized. They experience a wide variety of testing requirements for product properties, safety, quality, and traceability certifications (e.g. European Union Timber Regulation and United States Lacey Act). Being located mostly in Pampanga, Cebu, or CALABARZON provinces, the sector finds that locating in secondary cities outside Metro Manila entails added financial and administrative difficulties such as the inefficient coordination between provincial and national government agency offices, and the lack of trained technical personnel and testing facilities.

Automotive sector

The automotive sector's contribution to exports comprises mostly ignition sets and wiring harnesses, which are relatively low-tech procedures. This sector is strategically important in the government's plan to revive the Philippine manufacturing sector, which aims to localize more value-added production processes and expand supplier activities.

With 100% of the sector's problems caused by either POs or a combination of POs and NTMs, its obstacles to trade are administrative in origin. These include informal payments for rules of origin, and costly certification and testing requirements.

The major concern is compliance with ISO standards and fumigation treatment for pallets. Those that import varnishes or paints are affected by an issue around a regulation of chemicals used to make bombs and drugs.

Because of the PNP regulation several companies have already close shop; some have had to decline big orders for shell cleaning, and two companies have since outsourced shell cleaning Indonesia and China. Nationally, there is also a lack of coordination between PNP Manila and Cebu in implementing the regulation, which is already creating pockets of corruption and red tape.

An exporter of shell crafts

Chemicals and handicrafts sector

The chemicals and handicrafts sectors contribute little to exports, but are both significantly affected by a recent issue with the import regulation on 41 chemicals. The regulation is a result of the Philippine Drug Enforcement Agency's (PDEA's) reclassification of these products as hazardous chemicals used make both bombs and drugs.

It is difficult to procure and process Certificate of Origin forms, since signatories or forms are often unavailable, and I have to pay informal fees of PHP 150 per document. This is also very difficult since my personnel are based far from Manila, in Cagayan de Oro.

An exporter of chemicals

This has led to the Philippine National Police having to require a permit for their import and sale, requiring security escorts for individuals buying the chemicals, and requiring the storage of these chemicals to be in locations with the same security level as ammunitions supplies. This regulation has been present for a long time but has only been enforced [and abused by certain agencies] in recent years. The chemicals sector is largely a net importer for domestic consumption of these chemicals and the handicrafts sector requires them for shell cleaning and bleaching wood.

Garments sector

The main concern for the garments sector is complying with local content for CO requirements to fulfil ROO under the Generalized System of Preference (GSP+) agreement with the European Union, and the prevailing GSP agreement with the Unites States.

An exporter complains that export of heavy knitted garments to the European Union is not allowed because raw materials for these are sourced from non-GSP+ countries such as China. Hence only light knitted fabrics can be exported to these countries.

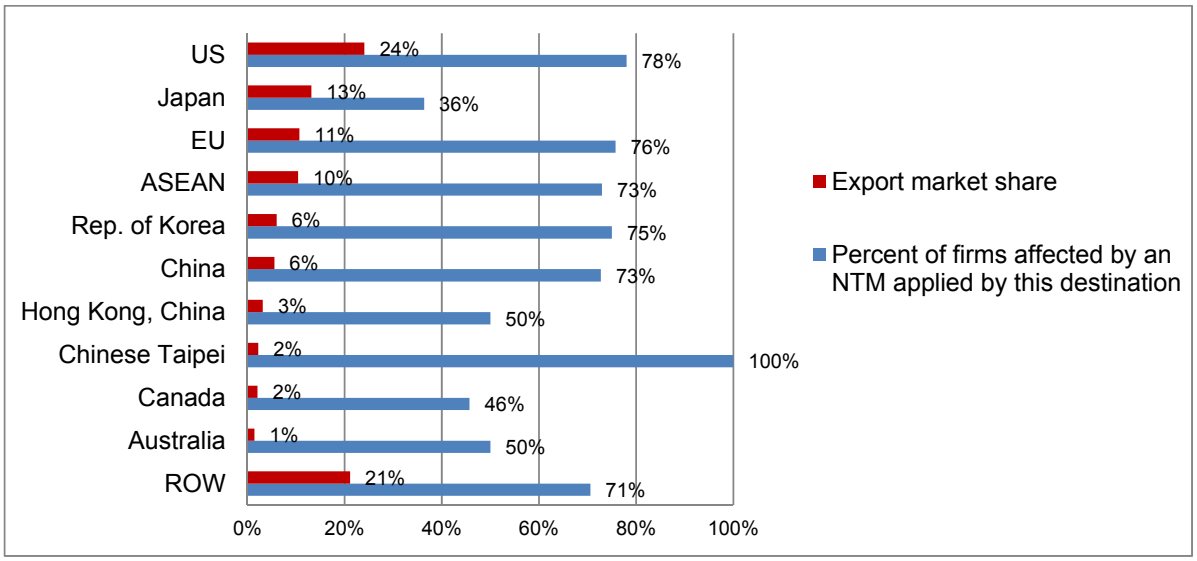
Exports to the United States for products that have leather, shell, or endangered wildlife components requires an Exporter's Commodity Clearance (ECC) certificate from the Bureau of Animal Industry or the Bureau of Fisheries and Aquatic Resources. Exports to the European Union require testing for Oeko Tex Standard 100 to detect the use of azo dyes.

Garments and textiles were previously protected sectors that have since struggled to upgrade their technologies and achieve cost-efficiency. The lack of an upstream yarn and textiles industry to source of affordable local inputs to production, the current fierce competition from China and Viet Nam for cheap threads and labour, and the expiration of EU GSP+ privileges has left the sector battered and clinging to a derogation appeal to the European Union to exempt its exports from strict GSP ROO compliance requirements.

Burdensome NTMs in the agri-food sector

Of 1,149 phone interviews, 20% of exporters were from the agricultural sector. Of the 2,220 NTMs cases gathered from face-to-face interviews, 30% of exporters came from this sector. While they contribute much less to exports, the highly sensitive nature of consumable agri-food products means they are more affected by NTMs than manufacturing sectors. Major markets for agri-foods include the Unites States, Japan, and the Netherlands, with most obstacles being encountered in the United States, the European Union and Asian markets (Figure 31).[32]

Figure 31. Agri-foods exports and NTMs applied by partner countries



Source: ITC NTM Survey in the Philippines, 2014–2015.

NTMs and POs affecting agri-food export sector

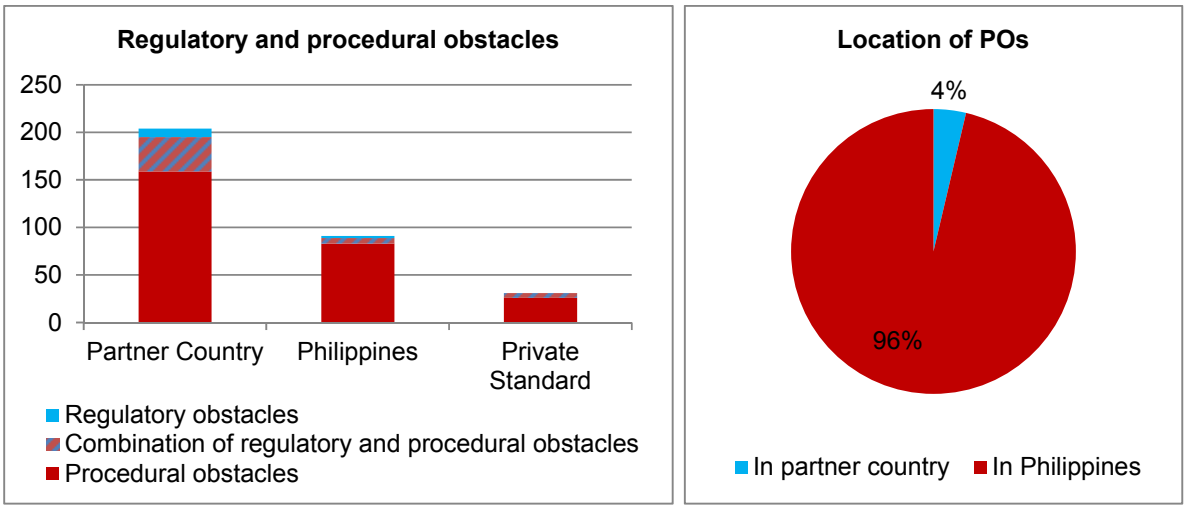
Figure 32 summarizes the distribution of agro-related NTMs for partner country regulations, Philippine regulations and private standards. Similar to the manufacturing sector, the majority of agri-food, more than 95% for partner country regulations, Philippine regulations and private standards, has POs that are largely domestic in origin.

By type of NTM, agri-food exporters are equally burdened by technical requirements (e.g. fumigation and labelling) (46%) and conformity assessments (e.g. product certification and testing) (46%) from partner country regulations, rounded out by rules of origin (8%, Figure 33).

[32] Chinese Taipei includes two cited NTMs only.

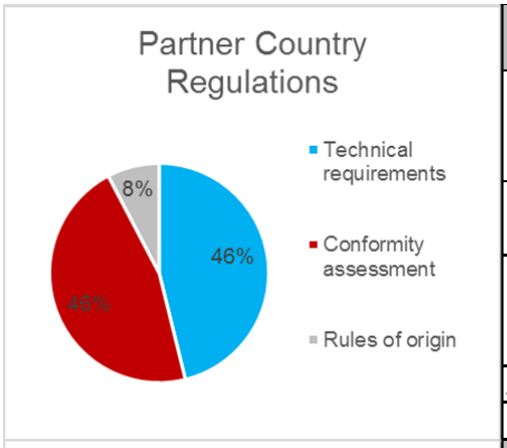
For these types of NTMs, difficulties in translation, high fees, and delays are the most problematic administrative issues. For Philippine regulations, the most common complaints are export technical measures (30%), clearance procedures (27%), export permits (19%) and export certifications (18%), with too much paperwork, frequent delays and high fees cited as major POs that hamper trade.

Figure 32. Agro-related NTMs versus POs, by origin and type of trader

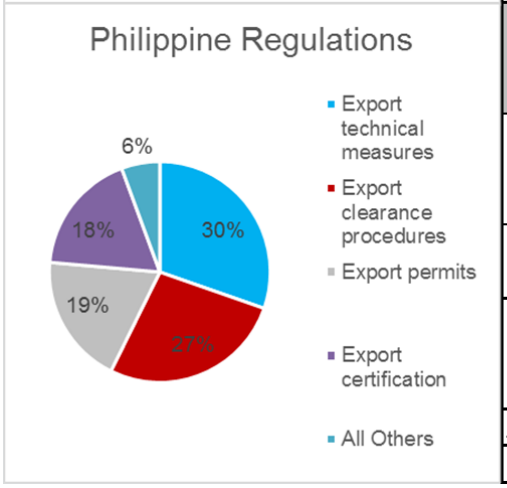


Source: ITC NTM Survey in the Philippines, 2014–2015.

Figure 33. Top Agro-related export NTMs and their associated domestic PO



Agri-food exports NTMs in Partner Countries	Most common [domestic] POs	% of Total
1. Technical requirements	Difficulties with translation	25%
	Delays	6%
	Unusually high fees	6%
2. Conformity assessment	Unusually high fees	26%
	Delays	14%
3. Rules of origin	Delays	2%
	Unusually high fees	2%
	Informal payments	2%
All Others		17%
TOTAL		100%



Agri-food exports NTMs in the Philippines	Most common [domestic] POs	% of Total
1. Export technical measures	Too much paperwork	21%
	Delays	12%
	Unusually high fees	11%
2. Export clearance procedures	Too much paperwork	12%
	Informal payments	11%
3. Export permits	Delays	5%
	Delays	6%
	Too much paperwork	5%
All Others		17%
TOTAL		100%

Source: ITC NTM Survey in the Philippines, 2014–2015.

Table 7 details the top agro-related POs for both exports and their most common associated administering government agency or private entity, both of which include high fees, delays, too much paperwork and informal payments. For exports that have to contend with fulfilling clients' standards and testing requirements, this typically includes accredited third-party entities as well as the Food and Drug Administration.

Table 7. Top agro-related POs and their associated regulating entity

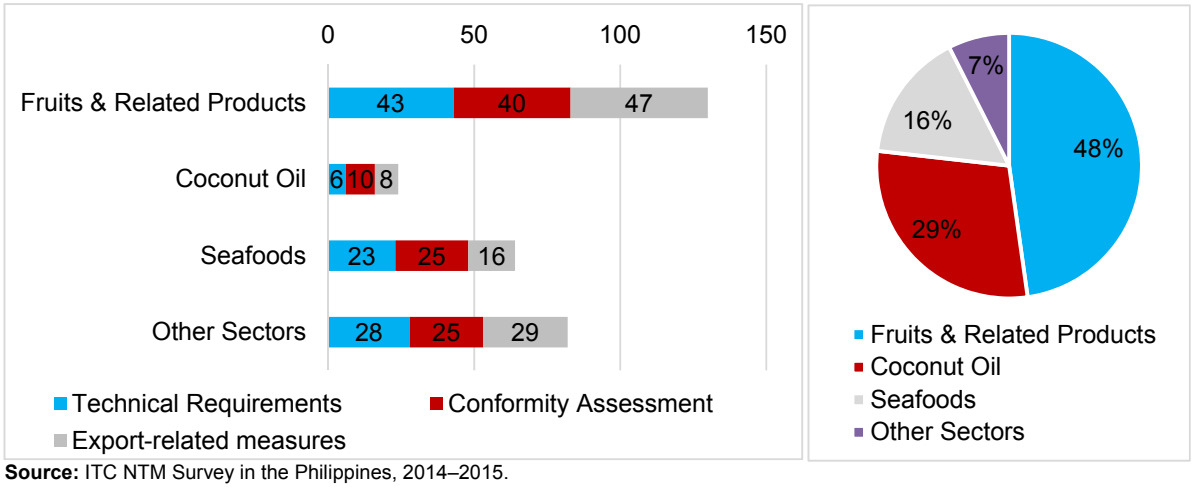
Most common agri-food export POs		Most common originating entity	
1. Unusually high fees	29%	Accredited third-party	14%
		Food and Drug Administration	6%
2. Delays	23%	Food and Drug Administration	6%
		Private Standards	5%
3. Too much paperwork	20%	Food and Drug Administration	6%
		Bureau of Customs	5%
		Department of Health	5%
4. Informal payments	7%	Bureau of Customs	6%
Others	21%	Others	47%
TOTAL	100%	TOTAL	100%

Source: ITC NTM Survey in the Philippines, 2014–2015.

Affected agri-food products

Figure 34 details the most common NTMs for the agri-food sector vis-à-vis each major product's export market share. Of the $4.87 million value of Philippine agricultural exports in 2015, major products included fruits and related preparations (48%), virgin coconut oil (29%), and fish and other seafood products (16%).

Figure 34. Agri-food products and their most common associated NTMs



Source: ITC NTM Survey in the Philippines, 2014–2015.

Fruits and related products

For fruits and related preparations (such as jams, dried fruits, chips and other products), the Food and Drug Authority (FDA) requires registration payments of PHP 1,000 for every variant of exported products on a per shipment basis. This is cumbersome for exporters that ship many variants in one container, and encourages them to declare wrongly their shipments, especially if shipment sizes are small and the company is not big. Many exporters complain of frequent delays in FDA processing of a Certificate of Product Registration (CPR) and a Licence to Operate, with some claiming they have been waiting for two years or more. Likewise, the FDA Cebu office does not know the status of LTO applications/renewals, and exporters have to always contact the office in Manila.

For Halal products some Muslim markets only honour international accreditors and this is compounded by the lack of mutual recognition between local and international Halal certifiers., IDCP (Islamic Da'wah Council of the Philippines) -certified Halal ingredients are not recognized by HDIP (Halal Development Institute of the Philippines). This costs some exporters about 3 months of delay and PHP 10,000 per product per year.

Coconut oil

Coconut oil exporters complain that some United States clients require a certificate stating that products are 100% organic, which is very expensive at an annual fee of PHP 500,000. Even though SMEs know their products are made organically, they cannot afford certification. Export of coconut products requires a certificate of registration from the Philippine Coconut Authority (PCA), which involves testing, inspections and documents processing, and can be quite tedious and costly especially for firms based outside Manila.

Seafood

For seafood products, the process for obtaining health certification for exported goods from the Bureau of Fisheries and Aquatic Resources (BFAR) is often delayed. Companies cite the lack of available personnel in BFAR offices in the Zamboanga and General Santos area in the Southern Philippines, where most fisheries companies are located.

Annual inspection for BFAR accreditation, which may sometimes be required by buyers in importing countries, can take six months to a year to schedule. BFAR asks for receipted 'transportation allowance' fees when issuing export permits for seafood products. In terms of testing, one cited issue is that DNA-level microbial testing is not available locally, so some exported products might pass testing standards in the Philippines but are rejected when tested with more sensitive equipment in other countries.

The agri-foods sector suffers from high costs and lack of affordable and reliable local testing facilities and product certification. This requires exporters to ship their goods to accredited testing companies abroad. They cited Halal certification, the usual Customs ordeal, FDA accreditation and export clearance, and health certification under BFAR as highly bureaucratic and subject to frequent delays (from three months to a year).

Obtaining FDA product certification clearance (Certificate of Product Registration and Licence to Operate) for export is very difficult. I am based in Region 11, and there are only two people handling the processing that takes up to three years.

An exporter of chocolates

Exporters in Cebu or Davao maintain additional layers of administrative red tape for regulating agencies based in Manila such as FDA and BFAR when services in the provinces are not adequate.

Another issue is the need to translate documents to European or East Asian languages, and the need to notarize documents at Middle Eastern embassies. For plant products, the Bureau of Plant Industry asks for inspection fees and overtime pay during product inspections.

Chapter 5 Conclusions and policy options

Conclusions

The data reflects that the private sector's biggest perceived barriers to trade are not official regulations per se, but their accompanying related POs. This presents a significant opportunity for the Philippine government, because it can be internally addressed by interventions in the domestic business environment. There is a need to align DTI interventions based on the NTM Survey results with the recently approved Philippine Export Development Plan (PEDP) 2015-2017 and the upcoming Customs Modernization and Tariff Act (CMTA).

The following key messages emerge from the survey:

Market access begins at home

The documentation required by Philippine institutions for exporters and the related procedures are cumbersome, costly, and riddled with inefficiencies. The survey results show that there is great scope for action at the national level. Ninety-four percent of procedural obstacles occur at home and half of them concern delays and fees. Domestic POs ate found in several government agencies such as the Bureau of Customs (BOC), Bureau of Internal Revenue (BIR), Philippine National Police (PNP), Philippine Drug Enforcement Agency (PDEA), Food and Drug Administration (FDA), Bureau of Plant Industry (BPI), Bureau of Fisheries and Aquatic Resources (BFAR) Department of Environment and Natural Resources (DENR).

Lack of coordination breeds inefficiency

Government agencies are too focused on their individual mandates and fail to realize how much this is costing Philippine industry stakeholders. Where these mandates overlap with trade facilitation procedures or the mandates of other agencies, there is often a failure of coordination or execution, creating unnecessary procedural obstacles.

SMEs stand to benefit the most

Lacking the trade facilitation benefits of ecozone residency and the resources of much larger firms, SMEs signify the majority (79%) of survey respondents, roughly indicating that they also have the most to complain about. Their affectedness rate is much larger. Home regulations affect more than 50% of micro, 40% of small, and 30% of medium sized firms, compared to only 20% of large firms.

Policy options

The primary policy recommendation is to ensure prompt and effective implementation of a functional inter-agency National Committee on Trade Facilitation (NCTF) as mandated by Philippine commitments to the WTO Trade Facilitation Agreement, and charged with coordinating and aligning national trade facilitation efforts and ensure their sustainability. This unit should be headed by the Department of Trade and Industry.

It should be allowed to exercise policy sway over relevant NTM-regulating government agencies, as well as accelerate and support the implementation of related policy regulations such as the Customs Modernization and Tariff Act and the Philippine Export Development Plan. While this body currently exists, it has yet to exert much effort into trade facilitation initiatives**.**

The next section details major policy recommendations as discussed among national stakeholders during the NTMs stakeholders' workshop (Manilla, June 2016), centred around three major themes (Table 8):

1. Export product requirements and conformity: technical compliance and expense

Priority should be placed on improving the quality recognition of Philippine exporters' products in international markets. Testing and certification procedures, fumigation treatment, and labelling and translation services in the Philippines should be more efficient and less expensive. Businesses should have better information and access to these and related trade facilitation procedures.

Technical assistance and information campaigns should be spearheaded to encourage capacity upgrading and shared service facilities for especially micro, small and medium-sized exporters to comply with testing and certification requirements (e.g. HACCP), fumigation and labelling/translation.

DTI should oversee mapping of availability of testing, fumigation and labelling services and benchmarking of costs across countries. DOST should focus on obtaining international accreditation for its Electronics Product Development Center (EPDC) to facilitate testing and certification for electronics products.

DTI should finalize negotiations for Mutual Recognition Agreements (MRAs) in key sectors including agri-food, cosmetics, and pharmaceuticals in ASEAN, and move forward on the harmonization of labelling requirements within ASEAN. There should be more focus on providing adequate facilities and technical staff in government testing and certification offices in key regional export zones such as Cebu and Davao.

2. Customs clearance and control: transparency and complexity

Border clearance and control procedures should be streamlined and made transparent, aimed at supporting effective and sustainable implementation of full customs automation,[33] including for improved port and road infrastructure to address congestion and logistics issues.

The inter-agency mechanism proposed under the National Committees on Trade Facilitation should review new agency regulations that affect trade, and provide avenues for stakeholders to be consulted prior to implementation. Focal points for trade facilitation should be appointed in each agency to coordinate and harmonize regulations and reforms. Regulatory agencies should lead consultations and information campaigns. DTI should create inter-agency committees to address relevant issues.

Agencies should strengthen and support the National Competitiveness Council's 'Project Repeal' for redundant trade procedures and the government's Integrated Government Philippines (iGovPhil) Project to connect all government agencies. The BOC should promote clear guidelines on product valuation to reduce ambiguity and misuse of authority by field officials during import processing.[34]

3. Rules of origin and other trade rules: overcoming domestic POs

Regulating government agencies should streamline trade procedures they administer, including for export licences, permits, and certificates of origin. They should focus on improving transparency of their policies and regulations including the eligibility criteria for companies, costs and time.

The BOC should improve implementation of CO-related procedures, including reduced use of third party customs brokers and an active blacklist of ineffective brokers. Other agencies should put efforts into simplifying and expediting export technical authorization procedures (e.g. issuance of export licences and permits) towards streamlining them and reducing redundancies. Agri-food related agencies such as the FDA and BFAR should increase staff and facilities of regional offices to facilitate permits.

[33] Included in Philippine Export Development Plan. This should be benchmarked on the Customs Modernization and Tariff Act to improve transparency and reduce rent-seeking behavior.
[34] The Philippines should follow the WTO Customs Valuation Agreement and accept the transaction value as specified in Article VII, provided importers present the invoice documenting the price paid for the product.

Final note

Making the NCTF initiative operational is imperative, especially given the availability of trade facilitation reform assistance offered by international donor agencies. DTI officials would do well to coordinate more effectively with their counterparts in Geneva (for WTO, ITC, and UNCTAD) and Bangkok (for UN ESCAP) to be able to tap into these resources.

Proactive leadership from DTI in guiding BOC, DFA and other concerned agencies would be particularly effective. A high-level sponsor for trade facilitation such as the Minister of Trade, supported by the technical expertise of a specialized and empowered Vice Minister, would be a key component to create and sustain real change.

Table 8. NTM workshop recommendations

Types of burdensome NTMs	Obstacles	Products, agencies and markets affected	Recommendations and policy options
1. Product requirements and conformity (exports): technical compliance and expense How to improve the conformity of exported products? How to overcome the lack of recognition of Philippine certificates in international markets? How to make local conformity assessment procedures more efficient and less expensive? How to ensure businesses have better access to product standards and conformity assessment procedures?			
Conformity assessments (product certification and testing) by partner countries, private standards and regulating agencies	High costs and delays for testing and certification requirements for both Agri-food (SPS) and manufacturing (TBTs)	Cross cutting, concern all products, usually for US and EU markets	Technical assistance and information campaign, capacity upgrading and shared service facilities for especially MSME exporters to comply with testing and certification requirements (e.g. HACCP), fumigation and labelling/translation
Technical requirements (fumigation and labelling) by partner countries	Lack of staff and facilities in FDA and BFAR regional offices to facilitate permits	Agri-food – FDA, BFAR, BPI, DTI	Mapping availability of testing, fumigation and labelling services and benchmarking of costs across countries
Private standards certifications	Fumigation as a necessary and expensive requirement for all cargo shipments	Manufacturing – BPS, DOST, DTI	Get international accreditation for DOST's Electronics Product Development Center (EPDC)
	Labelling and related packaging requirements difficult for agri-food exporters	Fumigation – usually Australia and United States markets	Finalize negotiations for MRAs in key sectors (food, cosmetics, and pharmaceuticals in ASEAN), and move forward on the harmonization of labelling requirements within ASEAN
	Client insistence for private standards certification becoming a requirement in addition to official NTMs		More focus on providing adequate facilities and technical staff in government testing and certification offices in key regional export zones such as in Cebu or Davao.

2. Customs clearance and control: transparency and complexity How to improve the transparency of border inspection procedures? How to streamline border clearance and control procedures?			
Import/export clearance	BOC affected by the majority of domestic POs, including informal payments, delays, too much paperwork and red tape for import and export clearance	Cross cutting, concern all products and markets	Effective and sustainable implementation of full customs automation*, including improved port and road infrastructure to address congestion and logistics issues.
Import monitoring mechanisms (e.g. BIR ICC and PNP/PDEA regulation on chemicals importation)	The E2M electronization system is frequently offline and still requires manual interactions, leading to informal payments.	BOC, BIR, PNP, PDEA, Comelec	Inter-agency mechanism under NCTF to properly review new agency regulations that affect trade, and provide avenues for stakeholders to be consulted prior to implementation. Focal points for trade facilitation should be appointed in each agency to coordinate and harmonize regulations and reforms. Regulatory Agencies should lead consultations and information campaigns, and DTI should create inter-agency committees (IACs) to address related issues.
Customs valuation	Port congestion and related logistics issues for cargo shipments including the new Terminal Advanced Booking System		Strengthen and support the Project Repeal for redundant trade procedures and the Interoperability Project for interconnected government agencies.
	BIR implementation of its new Importer Clearance Certificate requirements subject to frequent delays and too much paperwork and red tape		Clear guidelines on product valuation to improve ambiguity and misuse of authority by field officials during imports are needed.**
	PNP/PDEA regulation on the import and sale of chemicals		
	Customs valuation subject to improper assessments and lack of recognition for foreign valuations		

3. Rules of origin and other trade rules: overcoming domestic POs What are the roles and responsibilities of each institution involved in issuing of trade documents (licences, permits, certificates of origin)? How to simplify the procedures for granting these documents? How to improve transparency on regulations governing such procedures including the eligibility criteria for companies, costs and time?			
Rules of origin (ROO) by partner countries	Requirements for ROO Certificates of Origin (COs) difficult to comply with, leading to informal payments or underutilization of ROO privileges	Manufacturing sectors – ROO and CO issues from BOC	BOC to improve implementation of CO-related procedures, including reduced use of third party customs brokers and an active blacklist of ineffective brokers.
Technical authorization by Philippine regulating agencies	NTM-regulating agencies (FDA, BFAR, BPI, DENR, PNP, PDEA, Comelec, among others) require individual technical authorizations for export clearance that are subject to high charges, delays, paperwork and red tape, and lack technical staff or facilities.	Agri-food sectors – technical authorization from FDA, BFAR, BPI, and DENR	Simplification and expedition of export technical authorization procedures (e.g. issuance of export licences and permits) towards streamlining them and reducing redundancies. Relevant agencies (FDA and BFAR) to increase staff and facilities of regional offices to facilitate permits.
		Manufacturing sectors – DENR (furniture), PNP, PDEA, Comelec (chemicals)	

*Included in Philippine Export Development Plan. This should be benchmarked on the Customs Modernization and Tariff Act to improve transparency and reduce rent-seeking behavior.
**The Philippines should follow the WTO Customs Valuation Agreement and accept transaction value as specified in Article VII, provided importers present the invoice documenting the price paid for the product.

Appendix I Non-tariff measures surveys: global methodology

Non-tariff measure surveys

Since 2010,[35] ITC completed large-scale company-level surveys on burdensome non-tariff measures and related trade obstacles (NTM Surveys hereafter) in over 25 developing and least-developed countries on all continents.[36] The main objective of the survey is to capture how businesses perceive burdensome NTMs and other obstacles to trade at a most detailed level – by product and partner country.

All surveys are based on a global methodology consisting of a core part and a country-specific part. The core part of the NTM Survey methodology described in this appendix is identical in all survey countries, enabling cross-country analyses and comparison. The country-specific part allows flexibility in addressing the requirements and needs of each participating country. The country-specific aspects and the particularities of the survey implementation in the Thailand are covered in Chapter 2 of this report.

Scope and coverage of the non-tariff measure surveys

The objective of the NTM Survey requires a representative sample allowing for the extrapolation of the survey result to the country level. To achieve this objective, the NTM Survey covers at least 90% of the total export value of each participating country (excluding minerals and arms). The economy is divided into 13 sectors, and all sectors with more than a 2% share in total exports are included in the survey.

The NTM Survey sectors are defined as follows:

1. Fresh food and raw agro-based products
2. Processed food and agro-based products
3. Wood, wood products and paper
4. Yarn, fabrics and textiles
5. Chemicals
6. Leather
7. Metal and other basic manufacturing
8. Non-electric machinery
9. Computers, telecommunications and consumer electronics
10. Electronic components
11. Transport equipment
12. Clothing
13. Miscellaneous manufacturing

Companies trading arms and minerals are excluded. The export of minerals is generally not subject to trade barriers due to a high demand and the specificities of trade undertaken by large multinational companies. The export of arms is outside of the scope of ITC activities.

[35] The work started in 2006, when the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) established the Group of Eminent Persons on Non-Tariff Barriers. The main purpose of the group was to discuss the definition, classification, collection and quantification of non-tariff barriers – to identify data requirements, and consequently advance understanding of NTMs and their impact on trade. To carry out the technical work of the group, a Multi-Agency Support Team (MAST) was set up. Since then, ITC is advancing the work on NTMs in three directions. First, ITC has contributed to the international classification of non-tariff measures (NTM classification) that was finalized in November 2009 and updated in 2012. Second, ITC undertakes NTM surveys in developing countries using the NTM classification. Third, ITC, UNCTAD and the World Bank jointly collect and catalogue official regulations on NTMs applied by importing markets (developed and developing). This provides a complete picture of NTMs as official regulations serve as a baseline for the analysis, and the surveys identify the impact of the measures on enterprises and consequently on international trade.

[36] Pilot NTM surveys were carried out in cooperation with UNCTAD in 2008–2009 in Brazil, Chile, India, the Philippines, Thailand, Tunisia and Uganda. The pilot surveys provided a wealth of materials allowing for the significant improvement to both the NTMs classification and the NTM survey methodology. Since then, ITC has implemented NTM surveys based on the new methodology in 25 developing and least developed countries.

The NTM Surveys cover companies exporting and importing goods. Companies trading services are excluded, as a survey on NTMs in services would require a different approach and methodology. The NTM Survey includes companies specialized in the export-import process and services, such as agents, brokers, and forwarding companies (referred to collectively as 'trading agents'). These companies can be viewed as service companies because they provide trade logistics services. The answers provided by trading agents are in most cases analysed separately from the answers of the companies that export their own products.

The NTM Surveys cover legally registered companies of all sizes and types of ownership. Depending on country size and geography, one to four geographic regions with high concentrations of economic activities (high number of firms) are included in the sample.

Two-step approach

The representatives of the surveyed companies, generally export/import specialists or senior-level managers, are asked to report trade-related problems experienced by their companies in the preceding year that represent a serious impediment for their operations. To identify companies that experience burdensome NTMs, the survey process consists of telephone interviews with all companies in the sample (step 1) and face-to-face interviews undertaken with the companies that reported difficulties with NTMs during the telephone interviews (step 2).

Step 1: Telephone interviews

The first step includes short telephone interviews. Interviewers asked respondents to identify the main sector of activity of their companies and the direction of trade (export or import). The respondents are then asked whether their companies have experienced burdensome NTMs. If a company does not report any issues with NTMs, the interview is terminated. Companies that report difficulties with NTMs are invited to participate in an in-depth face-to-face interview, and the time and place for this interview is scheduled.

Step 2: Face-to-face interviews

The second-step interviews are required to obtain all the details of burdensome NTMs and other obstacles at the product and partner country level. These interviews are conducted face-to-face due to the complexity of the issues related to NTMs. Face-to-face interactions with experienced interviewers helps to ensure that respondents correctly understand the purpose and the coverage of the survey, and accurately classify their responses in accordance with predefined categories.

The questionnaire used to structure face-to-face interviews consists of three main parts. The first part covers the characteristics of the companies: number of employees, turnover and share of exports in total sales, whether the company exports its own products or represents a trading agent providing export services to domestic producers.

The second part is dedicated to exporting and importing activities of the company, with all trade products and partner countries recorded. During this process, the interviewer also identifies all products affected by burdensome regulations and countries applying these regulations.

During the third part of the interview, each problem is recorded in detail. A trained interviewer helps respondents identify the relevant government-imposed regulations, affected products (6-digit level of the Harmonized System), the partner country exporting or importing these products, and the country applying the regulation (partner, transit or home country).

Each burdensome measure (regulation) is classified according to the NTM classification, an international taxonomy of NTMs, consisting of over 200 specific measures grouped into 16 categories (see Appendix II). The NTM classification is the core of the survey, making it possible to apply a uniform and systematic approach to recording and analysing burdensome NTMs in countries with idiosyncratic trade policies and approaches to NTMs.

The face-to-face questionnaire captures the type of burdensome NTMs and the nature of the problem (so-called procedural obstacles [POs] explaining why the measures represent an impediment), the place where each obstacle takes place, and the agencies involved, if any. For example, an importing country can require the fumigation of containers (NTM applied by the partner country), but fumigation facilities are expensive in the exporting country, resulting in a significant increase in export costs for the company (POs located in the home country). The companies can also report generic problems unrelated to any regulation, but affecting their export or import, such as corruption and lack of or inadequate export infrastructure. These issues are referred to as problems related to business environment (see Appendix III).

Local survey company

A local partner selected through a competitive bidding procedure carries out the telephone interviews and face-to-face interviews. The partner is usually a company specializing in surveys. Generally, the NTM Surveys are undertaken in local languages. The telephone interviews are recorded either by a Computer Assisted Telephone Interview system, computer spreadsheets or on paper. The face-to-face interviews are initially captured using paper-based interviewer-led questionnaires that are then digitalized by the partner company using a spreadsheet-based system developed by ITC.

Open-ended discussions

During the surveys of companies and preparation of the report, open-ended discussions are held with national experts and stakeholders, for example trade support institutions and sector/export associations. These discussions provide further insights, quality check and validation of the survey results. The participants review the main findings of the NTM Survey and help to explain the reasons for the prevalence of the issues and propose possible solutions.

The open-ended discussions are carried out by the survey company, a partner in another local organization or university, or by graduate students participating in the special fellowship organized in cooperation with Columbia University (United States).

Confidentiality

The NTM Survey is confidential. Confidentiality of the data is paramount to ensure the greatest degree of participation, integrity and confidence in the quality of the data. The paper-based and electronically captured data is transmitted to ITC at the end of the survey.

Sampling technique

The selection of companies for the phone screen interviews of the NTM Survey is based on the stratified random sampling. In a stratified random sample, all population units are first clustered into homogeneous groups (‘strata’), according to some predefined characteristics, chosen to be related to the major variables being studied. In the case of the NTM Surveys, companies are stratified by sector, as the type and incidence of NTMs are often product-specific. Then simple random samples are selected within each sector.

The NTM Surveys aim to be representative at the country level. A sufficiently large number of enterprises should be interviewed within each export sector to ensure that the share of enterprises experiencing burdensome NTMs is estimated correctly and can be extrapolated to the entire sector. To achieve this objective, a sample size for the telephone interviews with exporting companies is determined independently for each *export sector.*[37]

[37] The sample size depends on the number of exporting companies per sector and on the assumptions regarding the share of exporting companies that are affected by NTMs in the actual population of this sector. The calculation of a sample size will be based on the equation below (developed by Cochran, 1963) to yield a representative sample for proportions in large populations (based on the assumption of normal distribution).

For importing companies, the sample size is defined at the country level. The sample size for importing companies can be smaller than the sample size for exporters, mainly for two reasons. First, the interviewed exporting companies are often import intermediaries and provide reports on their experiences with NTMs as both exporters and importers. Second, problems experienced by importing companies are generally linked to domestic regulations required by their home country. Even with a small sample size for importing companies, the effort is made to obtain a representative sample by import sectors and the size of the companies.

Exporting companies have difficulties with both domestic regulations and regulations applied by partner countries that import their products. Although the sample size is not stratified by company export destinations, a large sample size permits a good selection of reports related to various export markets (regulations applied by partner countries). By design, large trading partners are mentioned more often during the survey because it is more likely that the randomly selected company would be exporting to one of the major importing countries.

The sample size for face-to-face interviews depends on the results of the telephone interviews.

Average sample size

Based on the results of the NTM Surveys in the first 10 countries, the number of successfully completed telephone interviews can range from 150 to 1,000, with subsequent 150 to 300 face-to-face interviews with exporting and importing companies. The number of telephone interviews is mainly driven by the size and the structure of the economy, availability and quality of the business register and the response rate. The sample size for the face-to-face interviews depends on the number of affected companies and their willingness to participate.

Survey data analysis

The analysis of the survey data consists of constructing frequency and coverage statistics along several dimensions, including product and sector, NTMs and their main NTM categories (e.g. technical measures, quantity control measures), and various characteristics of the surveyed companies (e.g. size and degree of foreign ownership).

The frequency and coverage statistics are based on ‘cases’. A case is the most disaggregated data unit of the survey. By construction, each company participating in a face-to-face interview reports at least one case of burdensome NTMs, and, if relevant, related POs and problems with the business environment.

Each case of each company consists of one NTM (a government-mandated regulation, for example sanitary and phytosanitary certificate), one product affected by this NTM, and partner country applying the reported NTM. For example, if there are three products affected by the same NTM applied by the same partner country and reported by one company, the results would include three cases. If two different companies report the same problem, it would be counted as two cases.

$$n_o = \frac{t^2 * p(1-p)}{d^2}$$

Where

n_o : Sample size for large populations

t: t-value for selected margin of error (d). In the case of the NTM Survey 95% confidence interval is accepted, so t-value is 1.96.

p: The estimated proportion of an attribute that is present in the population. In the case of the NTM Survey, it is a proportion of companies that experience burdensome NTMs. As this proportion is not known prior to the survey, the most conservative estimate leading to a large sample size is employed, that is p=0.5.

d: Acceptable margin of error for the proportion being estimated. In other words, a margin of error that the researcher is willing to accept. In the case of NTM Survey d=0.1.

Source: Cochran, W. G. 1963. *Sampling Techniques*, 2nd Ed., New York: John Wiley and Sons, Inc.

The scenario where several partner countries apply the same type of measure is recorded as several cases. The details of each case (e.g. the name of the government regulations and its strictness) can vary as regulations mandated by different countries are likely to differ. However, if the home country of the interviewed companies applies an NTM to a product exported by a company to several countries, the scenario will be recorded as a single NTM case. When an interviewed company both exports and imports, and reports cases related to both activities, it is included in the analysis twice – once for the analysis of exports and once for the analysis of imports. The distinction is summarized in the table below.

Dimensions of an NTM case

Country applying the measure / Dimensions	Home country (where survey is conducted)	Partner countries (where goods are exported to or imported from) and transit countries
Reporting company	X	X
Affected product (HS 6-digit code or national tariff line)	X	X
Applied NTM (measure-level code from the NTM classification)	X	X
Trade flow (export or import)	X	X
Partner country applying the measure		X

Cases of POs and problems with the business environment are counted in the same way as NTM cases. The statistics are provided separately from NTMs, even though in certain instances they are closely related. For example, delays can be caused by the pre-shipment inspection requirements. As many of the POs and problems with the business environment are not product specific, the statistics are constructed along two dimensions: type of obstacles and country where they occur, as well as agencies involved.

Enhancing local capacities

The NTM Surveys enhance national capacities by transmitting skills and knowledge to a local partner company. ITC does not implement the surveys, but guides and supports the local survey company and experts.

Before the start of the NTM Survey, the local partner company, including project managers and interviewers are fully trained on the different aspects of the NTMs, the international NTM classification and the ITC NTM Survey methodology. ITC representatives stay in the country for the launch of the survey and initial interviews, and remain in contact with the local partner during the entire duration of the survey, usually around six months, to ensure a high quality of survey implementation. ITC experts closely follow the work of the partner company, providing a regular feedback on the quality of the captured data (including classification of NTMs) and the general development of the survey, helping the local partner to overcome any possible problems.

ITC also helps to construct a business register (list of exporting and importing companies with contact details), which remains at the disposal of the survey company and national stakeholders. The business register is a critical part of any company-level survey, but unfortunately it is often unavailable, even in the advanced developing countries. ITC puts much time, effort and resources into constructing a national business register of exporting and importing companies. The initial information is obtained with the help of national authorities and other stakeholders (e.g. sectoral associations). In cases where it is not available

from government sources or a sectoral association, ITC purchases information from third companies, and in certain cases digitalizes it from paper sources. The information from various sources is then processed and merged into a comprehensive list of exporting and importing companies.

Upon completion of the NTM Survey, the local partner company is fully capable of independently implementing a follow-up survey or other company-level surveys, as it is equipped with the business register and trained on the survey, trade and NTM-related issues.

Caveats

The utmost effort is made to ensure the representativeness and the high quality of the survey results, yet several caveats must be kept in mind.

First, the NTM Surveys generate perception data, as the respondents are asked to report burdensome regulations representing a serious impediment to their exports or imports. The respondents may have different scales for judging what constitutes an impediment. The differences may further intensify when the results of the surveys are compared across countries, stemming from cultural, political, social, economic and linguistic differences. Some inconsistency may be possible among interviewers (e.g. related to matching reported measures against the codes of the NTM classification) due to the complex and idiosyncratic nature of NTMs.

Second, in many countries a systematic business register covering all sectors is not available or incomplete. As a result, it may be difficult to ensure random sampling within each sector, and a sufficient rate of participation in smaller sectors. Whenever this is the case, the survey limitations are explicitly provided in the corresponding report.

Finally, certain NTM issues are not likely to be known by the exporting and importing companies. For example, exporters may not know the demand-side constraints behind the borders, e.g. ‘buy domestic’ campaigns. The scope of the survey is limited to legally operating companies and does not include unrecorded trade, e.g. shuttle traders.

Following up the ITC Non-Tariff Measure Survey

The findings of each ITC NTM Survey are presented and discussed at a stakeholder workshop. The workshop brings together government officials, experts, companies, donors, non-governmental organizations (NGOs) and academics. It fosters a dialogue on NTM issues and helps identify possible solutions to the problems experienced by exporting and importing companies.

The NTM Survey results serve as a diagnostic tool for identifying and solving predominant problems. This can be realized at the national or international level. The survey findings can also serve as a basis for designing projects to address the problems identified and for supporting fundraising activities.

Appendix II Non-tariff measures classification

Importing countries are very idiosyncratic in the ways they apply non-tariff measures NTMs). This called for an international taxonomy of NTMs, which was prepared by the Multi-Agency Support Team (MAST), a group of technical experts from eight international organizations, including the Food and Agricultural Organization of the United Nations, the International Monetary Fund, ITC, OECD, UNCTAD, UNIDO, the World Bank and WTO. It was finalized in November 2009 and updated in 2012. It is used to collect, classify, analyse and disseminate information on NTMs received from official sources such as government regulations. For the purpose of the large-scale company surveys on NTMs, ITC uses a simplified version of this international classification.

The NTM classification for surveys differentiates measures according to 16 chapters (denoted by alphabetical letters, see figure below), each comprising sub-chapters (denoted by two letters) and the individual measures (denoted by two letters and a number). The following sketches the content of each of the 16 chapters.

Chapter A, on technical regulations, refers to product-related requirements. They are legally binding and set by the importing country. They define the product characteristics, technical specifications of a product or the production process and post-production treatment and comprise the applicable administrative provisions, with which compliance is mandatory. Technical requirements include sanitary and phytosanitary measures, which are generally implemented to protect human, animal and plant life, and health.

Chapter B, on conformity assessment, refers to measures determining whether a product or a process complies with the technical requirements specified under Chapter A. Conformity assessments include control, inspection and approval procedures – such as testing, inspection, certification and traceability – which confirm and control that a product fulfils the technical requirements and mandatory standards imposed by the importing country, for example to safeguard the health and safety of consumers.

Chapter C, on pre-shipment inspection and other formalities, refers to the practice of checking, consigning, monitoring and controlling the shipment of goods before or at entry into the destination country.

Chapter D, on charges, taxes and other para-tariff measures, refers to measures other than tariffs that increase the cost of imports in a similar manner, i.e. by a fixed percentage or by a fixed amount. They are also known as para-tariff measures. Customs surcharges and general sales taxes are examples.

Chapter E, on licences, quotas, prohibitions and other quantity control measures, includes measures that restrain the quantity of goods that can be imported, regardless of whether they come from different sources or from one specific supplier. These measures can take the form of restrictive licensing, fixing of a predetermined quota or through prohibitions.

Chapter F, on finance measures, refers to measures that are intended to regulate the access to and cost of foreign exchange for imports and define the terms of payment. They may increase import costs in the same manner as tariff measures.

Chapter G, on price control measures, includes measures implemented to control the prices of imported articles in order to: support the domestic price of certain products when the import price of these goods is lower; establish the domestic price of certain products because of price fluctuation in domestic markets, or price instability in a foreign market; and counteract the damage resulting from the occurrence of ‘unfair’ foreign trade practices.

Chapter H, on anti-competitive measures, refers to measures that are intended to grant exclusive or special preferences or privileges to one or more limited groups of economic operators.

Chapter I, on trade-related investment measures, refers to measures that restrict investment by requesting local content, or requesting that investment be related to export to balance imports.

Chapter J, on distribution restrictions, refers to restrictive measures related to the internal distribution of imported products.

Chapter K, on restrictions on post-sales services, refers to measures restricting the provision of post-sales services in the importing country by producers of exported goods.

Chapter L, on subsidies, includes measures related to financial contributions by a government or government body to a production structure, be it a particular industry or company, such as direct or potential transfer of funds (e.g. grants, loans, equity infusions), payments to a funding mechanism and income or price support.

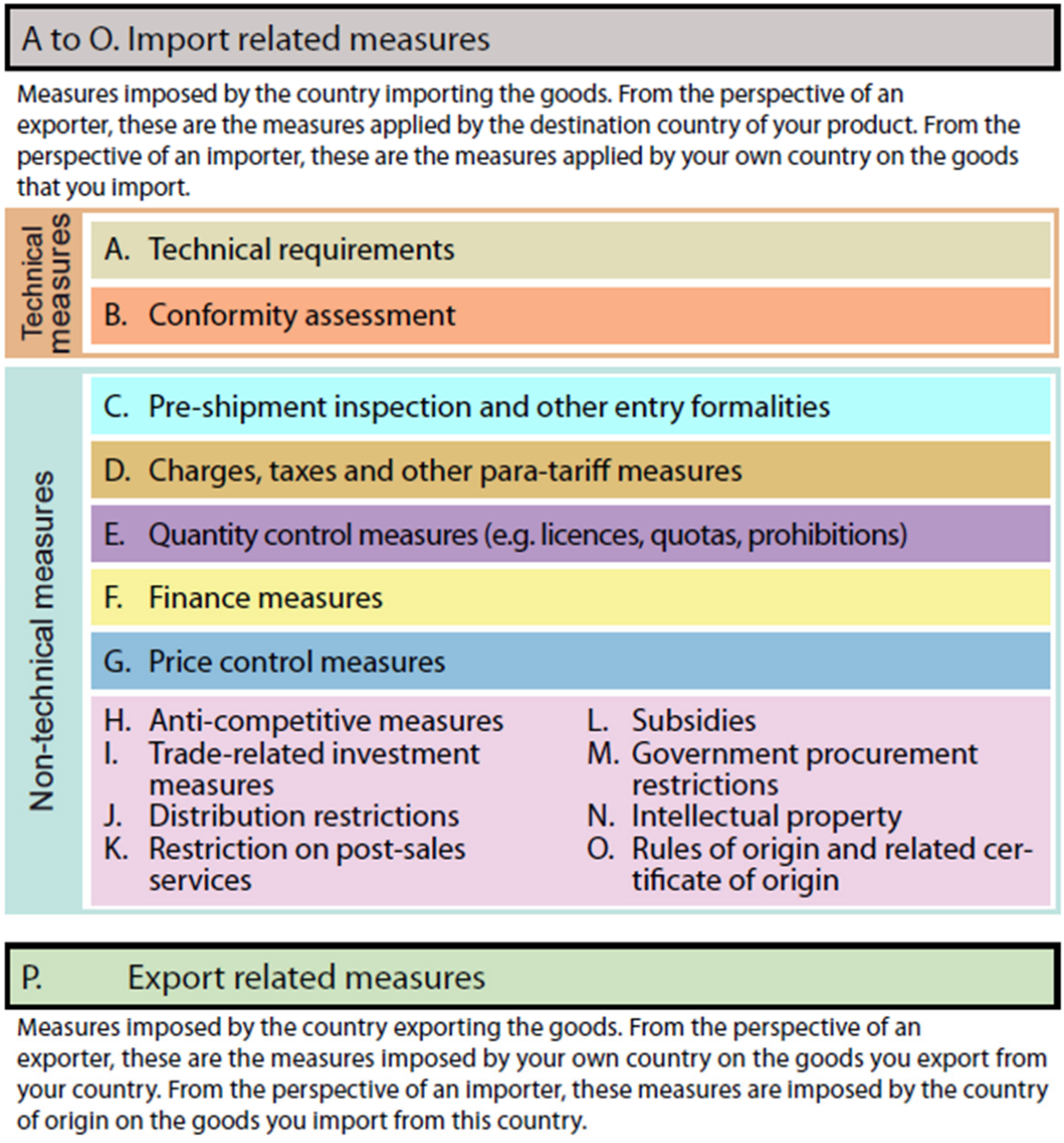
Chapter M, on government procurement restrictions, refers to measures controlling the purchase of goods by government agencies, generally by preferring national providers.

Chapter N, on intellectual property, refers to measures related to intellectual property rights in trade. Intellectual property legislation covers patents, trademarks, industrial designs, layout designs of integrated circuits, copyright, geographical indications and trade secrets.

Chapter O, on rules of origin, covers laws, regulations and administrative determinations of general application applied by the governments of importing countries to determine the country of origin of goods.

Chapter P, on export-related measures, encompasses all measures that countries apply to their exports. It includes export taxes, export quotas or export prohibitions, among others.

The structure of the NTM classification for ITC surveys



Source: International Trade Centre, NTM classification adapted for ITC surveys, January 2012 (unpublished document).

Appendix III Procedural obstacles

List of procedural obstacles (POs) related to compliance with non-tariff measures and to inefficient business environment and infrastructure

A.	Administrative burdens	A1. Large number of different documents A2. Documentation is difficult to fill out A3. Difficulties with translation of documents from or into other languages A4. Large number of checks (e.g. inspections, checkpoints, weighbridges) A5. Numerous administrative windows/organizations involved
B.	Information/transparency issues	B1. Information is not adequately published and disseminated B2. No due notice for changes in procedure B3. Regulations change frequently B4. Requirements and processes differ from information published
C.	Inconsistent or discriminatory behaviour of officials	C1. Inconsistent classification of products C2. Inconsistent or arbitrary behaviour of officials
D.	Time constraints	D1. Delay in administrative procedures D2. Delay during transportation D3. Deadlines set for completion of requirements are too short
E.	Payment	E1. Unusually high fees and charges E2. Informal payment, e.g. bribes) E3. Need to hire a local customs agent to get shipment unblocked
F.	Infrastructural challenges	F1. Limited/inappropriate facilities (e.g. storage, cooling, testing, fumigation) F2. Inaccessible/limited transportation system (e.g. poor roads, road blocks) F3. Technological constraints, e.g. information and communications technology
G.	Security	G1. Low security level for persons and goods
H.	Legal constraints	H1. No advance binding ruling procedure H2. No dispute settlement procedure H3. No recourse to independent appeal procedure H4. Poor intellectual property rights protection, e.g. breach of copyright, patents, trademarks, etc. H5. Lack of recognition, e.g. of national certificates
I.	Other	I1. Other obstacles

Appendix IV Experts and stakeholders interviewed

Name	Organization
Director Senen M. Perlada	Export Marketing Bureau – Department of Trade and Industry
Assistant Vice President Flordeliza Cusi-Leong	Philippine Exporters Confederation, Inc
Assistant Director Agnes Legaspi	Export Marketing Bureau – Department of Trade and Industry
Dr. Mia Mikic	Trade Policy and Analysis, ESCAP, United Nations - United Nations ESCAP
Dr. Loreli de Dios	Centre for Advancement of Trade Integration and Facilitation (CATIF)
Dr. Florian Alburo	EU-Trade Related Technical Assistance (TRTA)
Deputy Executive Director Emmarita Z. Mijares	Export Development Council (EDC)
Jay Chavez	Ionics Philippines
Atty. Ann Claire C. Cabochan	Bureau of Philippine Standards (BPS)
Dan C. Lachica	Semiconductor and Electronic Industries of the Philippines, Inc. (SEIPI)
Gretchen A. Fontejon- Enarle	Samahan sa Pilipinas ng mga Industriyang Kimika (SPIK)
Ferdinand I. RaquelSantos	Motor Vehicle Parts Manufacturers Association of the Philippines (MVPMAP)

Appendix V Agenda of stakeholder meeting

29.06.2016
BALAGTAS & BALMORI ROOM, PENINSULA HOTEL, MANILA

NATIONAL ROUND TABLE ON NON-TARIFF MEASURES

The round table on non-tariff measures (NTMs) follows on from the business survey of the International Trade Centre (ITC) conducted in 2015 to identify the main barriers to trade faced by the Philippine private sector. This meeting aims at presenting the findings of this survey and defining the solutions to overcome the identified obstacles. Particular attention will be paid to national barriers to regional and international exports.

08:30 **Registration**

09:00 **Welcome and opening remarks**

Ms. Nora K. Terrado, Undersecretary, Department of Trade and Industry (DTI)

Mr. Mondher Mimouni, Chief, Market Analysis and Research, International Trade Centre (ITC)

Session 1 **Background and overview of results**

The ITC will outline the survey implementation and key findings. It will present the companies' perceptions of NTMs and the challenges they represent to trade.

Session chairman: Assistant Director Agnes Perpetua R. Legaspi, Export Marketing Bureau (EMB)

09:30 **The ITC Programme on NTMs and the implementation of its survey in the Philippines**

Speaker: Ms. Ursula Hermelink, NTM programme manager, ITC

10:00 **General results of the survey: companies' perception of NTMs**

Speaker: Mr. Mondher Mimouni, ITC

10:30 **Coffee Break**

11:00 **Main trade barriers affecting Philippine's exports and imports**

Speakers: Ms. Ursula Hermelink, ITC
Mr. Mondher Mimouni, ITC

Discussants:

Topic: Product Requirements and Conformity

Director Anne Claire C. Cabochan, Bureau of Philippine Standards (BPS)

Topic: Customs Clearance and Control

Atty. Victor Pablo C. Trinidad, Assessment & Operations Coordinating Group (AOCG), Bureau of Customs (BOC)

Topic: Rules of Origin and Other Trade Rules

Ms. Denise Cheska C. Enriquez, ASEAN Desk, Bureau of International Trade Relations (BITR)

Floor Discussions

Summary by Session Chair

Session 2 **Thematic round tables**

Participants will be invited to share their views and experiences on NTM-related barriers and policy options to address them in the three selected themes. Each focus group will establish a roadmap with priority actions to overcome the identified obstacles.

13:00 **Round tables**

Round table 1: Product requirements and conformity

How to improve the conformity of exported products? How to overcome the lack of recognition of Philippine's certificates in international markets? How to make local conformity assessment procedures more efficient and less expensive? How to ensure businesses have better access to product standards and conformity assessment procedures?
Moderator: Engr. Ma. Cecilia De la Paz, Executive Director, Philippine Chamber of Food Manufacturers

Round table 2: Customs clearance and control

How to improve the transparency of border inspection procedures? How to streamline border clearance and control procedures?
Moderator: Ms. Flordeliza C. Leong, Assistant Vice President, PHILEXPORT

Round table 3: Rules of origin and other trade rules

What are the roles and responsibilities of each institution involved in issuing of trade documents (licences, permits, certificates of origin)? How to simplify the procedures for granting these documents? How to improve transparency on regulations governing such procedures including the eligibility criteria for companies, costs and time?
Moderator: Ms. Denise Cheska C. Enriquez, Bureau of International Trade Relations (BITR)

15:00 **Coffee Break**

Session 3 **Recommendations and conclusion**

The rapporteurs of the round tables will present the main findings and recommendations defined in each theme. The presentations will be complemented by ITC's view on overcoming non-tariff obstacles and followed by an open discussion with key institutions in order to validate a roadmap.

Session chairman: Dr. Mia Mikic, Chief, Trade Policy & Analysis, United Nations Economic and Social Commission for the Asia and the Pacific (UNESCAP)

15:30 **Summary of round table discussions**
Moderators from the RTDs

16.00 **Overcoming challenges related to NTMs**

Speakers:

DED Emmarita Z. Mijares, Export Development Council (EDC)

Ms. Ursula Hermelink, ITC

Dr. Florian Alburo, Technical Assistance Team Leader, EU Trade-Related Technical Assistance Project

Floor Discussions

Summary by Session Chair

17:00 **Concluding Remarks and Closing**

Mr. Mondher Mimouni, ITC

Director Senen M. Perlada, Export Marketing Bureau (EMB)

Appendix VI Philippine Regional and Bilateral FTAs and Non-Reciprocal Trade Agreements

Agreement	Terms
ASEAN Free Trade Area (AFTA) Agreement (1992)	Zero tariffs on 99% of all goods, and agreements on trade in services, investment and other areas of cooperation.
ASEAN-People's Republic of China Free Trade Agreement (ACFTA) (2004)	Zero tariffs on 7,521 Normal Track (NT) products exported to China including bananas, copra oil, mineral oils and fuels, selenium, industrial fatty alcohol, copper, machinery and mechanical appliances and vehicles including parts and accessories.
ASEAN-Korea Free Trade Agreement (AKFTA) (2006)	Zero tariffs on 4,329 NT products exported to Republic of Korea including smoking tobacco, processors and controllers, cathodes and sections of cathodes, petroleum oils, parts and accessories of machines of HS 84.71, fixed capacitors and amplifiers.
ASEAN - Japan Comprehensive Economic Partnership Agreement (AJCEPA) (2008)	The AJCEP Rules of Origin or ROO allows for the accumulation of Originating Inputs in the Regional Production Process and different Product Specific Rules of Origin.
ASEAN - Australia - New Zealand Free Trade Agreement (AANZFTA) (2009)	Zero tariffs on 96.4% of Australian and 84.7% of New Zealand goods, including auto and auto parts, ships and boats, minerals, chemicals, handicrafts, jewellery, and food items like canned pineapples, pineapple juice and tuna (all tariffs to be zero by 2020; agreements on services, investment, and economic cooperation.
ASEAN - India Free Trade Area (AIFTA) (2009)	Zero tariffs on 94% of all goods exported to India, and zero tariffs on 75% of all goods exported to the Philippines.
Regional Comprehensive Economic Partnership (RCEP) (negotiations commenced in 2013)	Aims to eliminate tariff/non-tariff barriers to trade in goods, restrictions and discriminatory treatment for trade in services, and facilitate investment, economic and technical cooperation, intellectual property, competition, legal and institutional matters, among and other issues among RCEP parties.
Philippines - Japan Economic Partnership Agreement (PJEPA) (2008)	Zero tariffs on 882 tariff lines by 2018, including shrimp and prawns, other processed foods, other fashion accessories, footwear, carpets and other textile floor coverings. Also, gradual reduction/elimination of tariffs on fresh bananas, pineapples, prepared preserved meat, other marine products, raw cane sugar, cane molasses and other forest products.
US Generalized Scheme of Preferences (GSP) (Renewed in 2015)	Zero tariffs on about 5,000 products exported to the US until December 2017, including items such as fresh fruits and vegetables, jams, fish and aquatic products, prepared cereals, cocoa, condiments, motor vehicles, precious metal jewellery, and rubber tires, but excluding textile, apparel, and footwear products.
EU Generalized Scheme of Preferences (GSP & GSP+) (2014)	Under the Regular GSP, zero tariffs on 2,442 products and reduced tariffs on 3,767 products until 2023. Under the GSP+, zero tariffs on 6,274 products, including prepared foodstuffs, garments, textile products, live animals & animal products and footwear, headwear & umbrellas.
Philippines-European Free Trade Area Free Trade Agreement (EFTA-PH FTA)(2016)	Zero tariffs on industrial products exported to EFTA, and gradual reduction/elimination of tariffs on majority of industrial products exported to the Philippines. It also covers trade in services, investment, competition, the protection of intellectual property rights, government procurement, and trade and sustainable development.

Source: DTI 2012 Guide to Doing Business in Free Trade Areas, EFTA and DFA websites.

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