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Market Access Limitations of the Philippines in the EU Market

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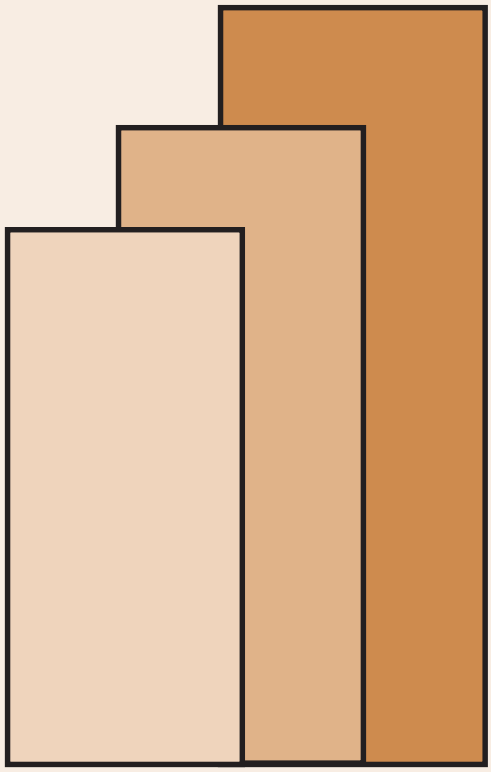

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MARKET ACCESS LIMITATIONS OF THE PHILIPPINES IN THE EU MARKET

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Abstract

Non-tariff measures are everywhere vilified for preventing exports, especially of agriculture, from developing countries. Philippine exporters seem to be taking things in stride, however. The paper estimates the cost of certification regularly borne by a typical Philippine food exporter to be less than three percent of sales, a relatively inconsequential ratio. However, increased cost from NTMs can adversely affect the small-scale companies that lack resources to adapt their production processes to foreign standards. The paper also traces the Philippine export products affected by non-tariff measures imposed by the European Union. In all, NTMs of the EU affect a total of US$34 million of Philippine agriculture and fish exports to these markets, representing almost seven percent of agriculture exports to the twenty-five countries.

Keywords: nontariff measures, market access, Philippine agricultural exports, European Union, sanitary and phytosanitary (SPS) measures

Table of Contents

List of Tables

List of Figures

List of Boxes

Appendix

List of Tables

List of Boxes

1. INTRODUCTION

While many tariff trade barriers have fallen substantially in most countries, there has also been a growing trend towards more non-tariff measures that limit international trade. While some of these were truly instituted for health, sanitary, and safety reasons, they, nevertheless, shrink exports, particularly from developing economies that have not adapted the same standards as developed countries. This paper attempts to analyze the extent to which Philippine agriculture and fish exports are subjected to non-tariff measures imposed by the European Union[1], an important market for Philippine agriculture exports, and the cost implications of compliance to standards and certification requirements on Philippine exporters.

The existing literature tends to have an all-encompassing coverage of non-tariff measures defining it as essentially almost every trade distorting measure apart from tariff. For example, OECD (2005) defines an NTM as "any measure other than a tariff that distorts trade." In his oft-quoted seminal work, Baldwin (1970) elaborates, applying the term to "any measure (public or private) that causes internationally traded goods and services, or resources devoted to the production of these goods and services, to be allocated in such a way as to reduce potential real world income." In their attempt to define "non-tariff barriers", Deardorff and Stern (1997) proposed that the existence of NTBs is characterized by a reduction in the quantity of imports, increase in the price of imports, change in the elasticity of demand for imports and variability and uncertainty in their implementation. In the literature, the two terms (i.e. non-tariff measures and non-tariff barriers) are often used interchangeably, although some authors prefer to apply the term "non-tariff measure" to standards that are equally applied to domestic and foreign producers, while reserving "non-tariff barrier" for requirements that specifically discriminate against imports.

Several types of non-tariff measures exist. The United Nations Conference on Trade and Development (UNCTAD)'s typology of NTMs, for instance, includes non-tariff charges, quantitative restrictions, government participation in trade and similar restrictive policies, customs procedures and administrative policies, and finally, technical standards (UNCTAD, 1994). These measures increase the cost of production for companies serving in foreign markets, raise entry barriers through higher up-front costs, and diminish the ability of firms to compete due to higher marginal costs. The costs depend on the stringency of measures adopted, the required speed of implementation, the nature of the supply chain and the technical measures already in place in the exporter's domestic market (OECD, 2001). Thus, middle-income developing countries with relatively stringent technical and health standards will probably avoid very high costs of adjustment vis-à-vis the NTMs adopted in developed export markets.

Unlike tariffs, certain non-tariff measures have more altruistic goals than mere trade protection. Whether technical, industrial standards or health-related, some technical measures are instituted by nations to protect their citizens from products that may be inferior, deficient or, in

[1] The 25 countries of the EU are Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

some cases, even dangerous to the consumers' well-being[2]. Other technical standards, on the other hand, regulate product characteristics, marking, labeling, packaging, testing, inspection and quarantine processes, and information dissemination by exporters.

Compliance with these health and technical standards entail additional cost and can shrink trade volumes. However, in some cases, it can also arguably increase trade. Directly aimed at overcoming market failures, standards and regulations may expand trade by facilitating production and exchange, reducing transactions costs, guaranteeing quality and achieving the provision of public goods (Maskus, Wilson and Otsuki, 2003). Where trade in some products would have been difficult without clear standards, with it, trade could be created between two countries

However, some countries also use standards for market protection purposes. These measures are often less predictable and may be less transparent than pure volume or tariff restrictions. NTMs are more difficult to challenge, as convoluted scientific issues may be brought into play, crippling developing and less-developed economies (LDCs) who have poor capacity to dispute the validity of these so-called 'scientific' arguments. In addition, quarantine regulations and administrative practices can easily be made restrictive for purposes of trade protection.

In particular, standards may become barriers to trade when they vary between countries and deviate from internationally accepted standards. Foreign firms, as opposed to local ones, usually bear a higher cost burden simply because domestic firms are better acquainted with the institutional structures in their countries and are likely to have better access to information and compliance-related capabilities. Years of adapting and applying to approved standards in production processes also equip domestic firms against their foreign competitors, who may have a different set of standards (or none, especially in the case of poorer economies) for their own local markets. When the fees are higher and the tests stricter for foreign products, the imbalance becomes even more pronounced. In this situation, the competitive advantage of some developing countries in the area of agriculture may be undercut by increased costs placing them at a disadvantage vis-à-vis domestic firms.

What is the net effect of non-tariff measures? The quantification of effects of non-tariff measures is not an easy task. As yet, no single, agreed-upon method for measurement exists. Some studies, however, estimate that global gains resulting from the abolition of NTMs could amount to as much as US$90 billion (Ferrantino, 2006). If true and accurate, some of these gains would redound to agricultural exporters from the Philippines, whose products face non-tariff barriers in their various destination markets.

[2] The Uruguay Round agreement has two separate Agreements that provide the core trade rules on non-tariff barriers. One is the Agreement on Technical Barriers to Trade (TBT) and the other is the Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures. SPS measures and TBTs constitute the core trade rules on non-tariff barriers. SPS measures are instituted by countries with a stated aim of protecting human, plant and animal life. Under the SPS Agreement, such measures are acceptable under some conditions. Among these is that the measure must be necessary to protect human, plant or animal life. Moreover, the measure must be based on scientific principles and must have sufficient scientific evidence for it to be maintained. The principle of proportionality enshrined in the WTO Agreement on SPS states that it is incumbent upon members to "ensure that any SPS measures applied are not more trade restrictive than required to achieve the appropriate level of protection".

The paper is organized as follows: Section 2 provides a brief profile of Philippine exports, both overall and specifically to the European Union. Section 3 presents an overview of theoretical and empirical work on non-tariff measures, identifies the non-tariff measures affecting Philippine agriculture exports to the EU, and provides a *micro* look at non-tariff measures as experienced by selected exporters. Section 4 elaborates on available certification systems in the country, attempts to illustrate the cost burden on an exporting firm, and discusses the problems and issues related to SPS and health issues in the Philippines. Section 5 concludes and makes some recommendations.

2. PHILIPPINE TRADE PROFILE[3]

a. Top Philippine exports

Judging from the sizeable proportion of the country's labor force employed in the sector, the Philippines is still widely considered an agricultural economy. While contributing only 19.1% of Gross Domestic Product, agriculture employs around 37% of Philippine workforce. As an export sector, agriculture is not a major contributor to foreign earning. In 2005, trade in agriculture and fishery-related goods only accounted for 6.46% of total value of Philippine exports, already an increase from its 4.9% share in 2000. For many years, semiconductors and electronics, electrical equipments, and machine parts, were and still are the country's major exports, constituting almost half of total Philippine exports (Table 1). In contrast, the most valuable Philippine agriculture export – animal and vegetable fats and oils (HS15) – only came eighth in overall exports in 2005, contributing only 1.6% of total export value. This, however, is a greater portion than its 2000 value, which represented only 1.2% of total exports at the time.

[3] Agriculture is defined in this study the same way that it is defined by the World Trade Organization per the Agreement on Agriculture. Details of this may be found in Appendix A.

Table 1. Top Overall Exports of the Philippines (US$, '000)

Product Code	Description	Total Value (2000)	Share in Total Exports*	Total Value (2005)	Share in Total Exports*
85	Electrical machinery equip parts thereof; sound recorder etc	20,532,203.24	0.5392	20,162,908.52	0.4891
84	Nuclear reactors, boilers, mchy & mech appliance; parts	7,690,614.00	0.2020	8,383,470.35	0.2034
87	Vehicles o/t railw/tramw roll-stock, pts & accessories	642,203.03	0.0169	1,611,271.55	0.0391
62	Art of apparel & clothing access, not knitted/crocheted	1,637,905.36	0.0430	1,396,620.18	0.0339
90	Optical, photo, cine, meas, checking, precision, etc	332,416.59	0.0087	870,238.63	0.0211
61	Art of apparel & clothing access, knitted or crocheted.	826,714.84	0.0217	837,817.46	0.0203
27	Mineral fuels, oils & product of their distillation;etc	505,682.71	0.0133	774,811.69	0.0188
15	Animal/veg fats & oils & their cleavage products; etc	465,712.73	0.0122	663,229.28	0.0161
Memo Items					
	Philippine agriculture exports	1,568,852.28	0.0412	2,314,936.14	0.0561
	Philippine fish exports	327,639.09	0.0086	347,667.80	0.0084

Source: World Integrated Trade Solution database of the World Bank
*Share = Trade value of product/Total trade value of Philippine exports

It is worth noting, however, that even as coconut (copra) oil exports – the product that comprises most of Philippine animal and vegetable fats and oils exports – appear small, the Philippines is actually already a major world exporter in the sector. In 2005, for instance, Philippine coconut oil exports (HS 1513) constituted nearly 29% of total world copra oil trade.

b. Top agriculture and fish exports

The bulk of the country's agricultural exports (25.9%) consist of animal, vegetable fats and oils. More specifically, a little more than a quarter of the country's total agri-exports (25.687%) are of coconuts (copra), palm kernels and babassu oils.

Edible fruits, nuts, and peels of citrus and lemons come second. Bananas make up a huge portion of this category's exports – about fourteen percent of total agricultural products. Fruits and nuts come third (10.6% of total agri-exports) followed by crustaceans and mollusks of the fish and fish products category.

Tobacco and manufactured tobacco substitutes, on the other hand, constitute about five percent of total agriculture exports. Cigars and cigarettes, as opposed to unmanufactured tobacco, actually comprise the bulk of tobacco exports - 109 million dollars' worth.

Sugar and sugar confectionery, particularly cane or beet sugar as well as chemically pure sucrose ($67 million), comprise about four percent of total agriculture exports and is the country's sixth largest export, amounting to about $ 110 million. This is followed by another set of fish products, particularly of prepared or preserved fish and fish eggs and prepared or preserved crustaceans and mollusks.

The country's top ten agricultural exports is rounded out mostly by cereal and dairy products and miscellaneous food preparations. Of the cereals category, baked breads, pastries, wafers, rice paper and biscuits are the top exports, bringing in $34 million while milk and cream, whether concentrated or sweetened, lead the dairy products, followed by cheese and curd.

Table 2. Top Agricultural Exports of the Philippines in 2005

Product Code	Description	Trade Value ($ '000)	Share in RP Agricultural Exports*	Share in Total RP Exports**
15	Animal/veg fats & oils & their cleavage products; etc	663,229.28	0.2596	0.0161
08	Edible fruit and nuts; peel of citrus fruit or melons.	576,855.04	0.2258	0.0140
20	Prep of vegetable, fruit, nuts or other parts of plants	271,623.30	0.1063	0.0066
03	Fish & crustacean, mollusc & other aquatic invertebrate	240,440.18	0.0941	0.0058
24	Tobacco and manufactured tobacco substitutes	143,738.24	0.0563	0.0035
17	Sugars and sugar confectionery.	110,642.49	0.0433	0.0027
16	Prep of meat, fish or crustaceans, molluscs etc	109,414.84	0.0428	0.0027
19	Prep.of cereal, flour, starch/milk; pastrycooks' prod	84,088.55	0.0329	0.0020
04	Dairy prod; birds' eggs; natural honey; edible prod nes	77,254.24	0.0302	0.0019
21	Miscellaneous edible preparations.	60,500.58	0.0237	0.0015
Memo Items:				
Total Philippine agriculture and fish exports to EU		519,119.6	0.195	0.0126
Comparator:				
Total Philippine agriculture exports to US		617,446.2	0.232	0.015
Total Philippine agriculture exports to East Asia		684, 231.7	0.257	0.0166

Source: World Integrated Trade Solution database of the World Bank

* Share = Trade value of product/Total trade value of Philippine agricultural exports

** Share = Trade value of product/Total trade value of Philippine exports

c. Direction of agriculture trade

Exports to the European Market

Machinery and electrical equipment are also the Philippine's leading exports to the EU, representing more than three quarters of all products shipped to the region. Animal and vegetable fats and oil, primarily copra, is once again the highest-ranking agricultural commodity. Even then, it contributes less than 5% in total export value.

Parallel to the country's top overall exports to the world, nuclear reactors, boilers, machinery and mechanical appliances is also the second largest export to the EU, constituting 15% of the Philippine's exports to the region. Vehicles come third and contribute nearly $39

million to the country’s total export value. The rest of the country’s top exports to the region is rounded out by optical equipment, and clothing or apparel.

Table 3. Top Overall Exports of the Philippines to the EU (US$, '000)

Product Code	Description	Total Value	Share in Total Exports to the EU*
85	Electrical mchy equip parts thereof; sound recorder etc	3,880,376.44	0.5544
84	Nuclear reactors, boilers, mchy & mech appliance; parts	1,116,373.56	0.1595
87	Vehicles o/t railw/tramw roll-stock, pts & accessories	387,660.52	0.0554
15	Animal/veg fats & oils & their cleavage products; etc	337,126.49	0.0482
88	Aircraft, spacecraft, and parts thereof.	223,959.90	0.0320
90	Optical, photo, cine, meas, checking, precision, etc	204,514.55	0.0292
62	Art of apparel & clothing access, not knitted/crocheted	124,553.91	0.0178
61	Art of apparel & clothing access, knitted or crocheted.	119,147.96	0.0170
Memo Items			
Philippine agriculture exports		485,575.34	0.0694
Philippine fish exports		33,544.26	0.0048

Source: World Integrated Trade Solution database of the World Bank

*Share = Trade value of product exported to the EU/Total trade value of Philippine exports to the EU

The EU market absorbs 19.5% of Philippine agriculture and fisheries exports (Table 2). Products exported solely to the EU include sardines and coffee extracts. Among the Philippines' major exports, coconut-related products primarily go to the EU market, which receives 68.4% of total Philippine exports of copra oil and 38.9% of its desiccated coconuts. (The detailed share of the European market in all agricultural commodities exported by the Philippines can be found in Appendix B.)

After coconuts, bananas and pineapples constitute the second and third largest shares of the country's agricultural exports to the region. Even then, they comprise less than 1% of the country's total exports to the EU. The rest of the country's top agricultural exports to the region follow a similar fate, contributing less than a percent or in some cases, less than half a percent to the Philippine's overall exports to the region.

Table 4. Share of the EU in the Philippines' Top Agricultural Exports

Product Code	Description	Share of the EU
151311	Coconut (copra) oil and its fractions :-- Crude oil	0.683996
080300	Bananas, including plantains, fresh or dried.	0.000671
151319	Coconut (copra) oil and its fractions :-- Other	0.039677
080111	Coconuts :-- Desiccated	0.388797
200820	Pineapples	0.200802
240220	Cigarettes containing tobacco	0.003396
030613	Frozen :-- Shrimps and prawns	0.038307
040229	In powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5 % :-- Other	6.53E-05
170111	Raw sugar not containing added flavouring or colouring matter :-- Cane sugar	0.01073
160414	Fish, whole or in pieces, but not minced :-- Tunas, skipjack and bonito (Sarda spp.)	0.351292
200940	Pineapple juice	0.217589
130239	Mucilages and thickeners, whether or not modified, derived from vegetable products :	0.416233
080430	Pineapples	0.003675
200899	Other, including mixtures other than those of subheading No. 2008.19 :-- Other	0.330867
080450	Guavas, mangoes and mangosteens	0.010483

Source: World Integrated Trade Solution database of the World Bank
* Share = Trade value of product going to the EU/Total trade value of product
Percentage share of total agricultural exports to the EU in total Philippine agricultural exports: 19.5%
Percentage share of total exports to the EU in total exports: 17%

Among the 25 nations of the EU, the Netherlands is the Philippines' biggest trading partner by a very large margin. For instance, of total Philippine exports to the EU, 57.6% go to the Netherlands. Germany clocks in second in terms of total imports from the Philippines, but it only constitutes 19.2% of the total. The United Kingdom is a distant third at 6.2%.

The same three countries are the leading importers of the Philippine's agricultural exports. More specifically, the Netherlands purchases 62.82% of all Philippine agricultural and fisheries exports to the EU. Germany buys 7.4% while the UK imports 6.5% (see Table 5 below for both the ranking and total imports of the rest of the EU).

Table 5. Member States' Rank in Import Value
(Based on 2005 Trade Data)

Country	Value of Imports from the Philippines	Rank in Total Imports	Share in Total Imports*	Value of Agricultural Imports from the Philippines	Rank in Total Agricultural Imports	Share in Total Agricultural Imports**
Austria	20,922.45	13	0.0030	970.77	16	0.0019
Belgium	270,044.41	4	0.0386	22,327.38	6	0.0430
Cyprus	1,778.23	20	0.0003	810.79	18	0.0016
Czech Rep	36,778.78	11	0.0053	2,361.44	11	0.0045
Denmark	17,308.34	16	0.0025	3,320.87	9	0.0064
Estonia	622.21	23	0.0001	34.13	23	0.0001
Finland	40,028.47	10	0.0057	2,318.28	12	0.0045
France	186,746.72	5	0.0267	22,944.43	5	0.0442
Germany	1,345,572.04	2	0.1922	38,644.14	2	0.0744
Greece	29,641.25	12	0.0042	4,388.16	8	0.0085
Hungary	145,471.00	7	0.0208	479.61	19	0.0009
Ireland	123,453.29	8	0.0176	1,383.43	15	0.0027
Italy	166,287.43	6	0.0238	33,183.38	4	0.0639
Latvia	353.07	24	0.0001	256.51	21	0.0005
Lithuania	662.61	22	0.0001	472.11	20	0.0009
Luxembourg	335.04	25	0.0000	1.09	25	0.0000
Malta	19,393.41	14	0.0028	246.61	22	0.0005
Netherlands	4,031,800.56	1	0.5760	326,106.06	1	0.6282
Poland	16,808.64	17	0.0024	2,183.17	13	0.0042
Portugal	18,032.78	15	0.0026	1,472.82	14	0.0028
Slovakia	1,335.02	21	0.0002	2.04	24	0.0000
Slovenia	2,529.31	19	0.0004	869.94	17	0.0017
Spain	72,774.61	9	0.0104	17,302.64	7	0.0333
Sweden	14,910.45	18	0.0021	3,288.64	10	0.0063
UK	436,146.85	3	0.0623	33,751.16	3	0.0650

Source: World Integrated Trade Solution database of the World Bank

Yet, despite the Netherlands' substantial role as major importer of the Philippine's agricultural exports, products from the Philippines represent only 0.51% of agriculture imports of the country in 2004[4]. In 2005, Germany sourced only 0.29% of its agriculture imports from the Philippines, and the UK only 0.11%. Overall, agricultural imports from the Philippines only comprise 0.53% of EU's total agricultural imports.

[4] While all the other statistics and data presented in this paper are based on the 2005 values reported in the WITS database, this value comes from 2004, since that was the most recent report available from the Netherlands.

Agricultural Exports to the EU

At the 6-digit level of the Harmonized System, the Philippines exports 163 different varieties of agricultural and fisheries commodity to the EU. Coconut oil and other coconut related products are the Philippines' biggest export. Other major products include tuna and pineapples.

Table 6. Top Philippine Agriculture Exports to the EU

Product Code	Description	Trade Value	Share in Total Agricultural Exports to the EU*
151311	Coconut (copra) oil and its fractions :-- Crude oil	330,202.2	0.636081
080111	Coconuts :-- Desiccated	49,406.96	0.095175
160414	Fish, whole or in pieces, but not minced :-- Tunas, skipjack and bonito (Sarda spp.)	22,991.89	0.04429
200820	Pineapples	21,992.89	0.042366
130239	Mucilages and thickeners, whether or not modified, derived from vegetable products :	18,067.71	0.034805
200899	Other, including mixtures other than those of subheading No. 2008.19 :-- Other	12,424.56	0.023934
200940	Pineapple juice	11,183.26	0.021543
121220	Seaweeds and other algae	7,213.191	0.013895
151319	Coconut (copra) oil and its fractions :-- Other	6,922.215	0.013335

Source: World Integrated Trade Solution database of the World Bank
* Share = Trade value of product going to the EU/Total trade value of Philippine agricultural exports to the EU

Appendix C lists the EU member states that purchase these products along with their shares in total EU imports of these products.

The Netherlands is the world's biggest market for copra oil, purchasing 60.8% of all crude oil exported by different countries. Consequently, it is also the biggest importer of Philippine copra oil in the EU and accounts for 88.9% of Philippine copra exports to the region.

As regards desiccated coconuts, on the other hand, the United Kingdom (10.1%), the Netherlands (8%) and Belgium (7.3%) are the second, third and fourth largest importers of the product, respectively, falling behind the United States in terms of value of imports from the Philippines.

Germany is the second-biggest EU importer of agricultural products from the Philippines – a claim supported by its purchase of almost half of all tunas, skipjack and bonito (comprising

16.5% of total Philippine tuna exports) and almost a third of a specific subset of fruits and nuts imported to the region. While 68.6% of the Philippines' EU-destined pineapple juice eventually find their way to the Netherlands, the pineapple fruits themselves are Spain's main import interest, while mucilages, thickeners, seaweeds and other algae are mostly sent to France. Other forms of coconut oil, on the other hand, are primarily imported by the Netherlands (60%) and France (40%).

d. Top Philippine imports

When it comes to products imported by the Philippines, electronics also top the list. This is because much processing is done in the country. Electronic parts are sent to the Philippines, assembled here by affordable labor, and then sent back out as finished products. The products most imported in 2005 were almost exactly the same ones most imported in 2000. One notable exception is rice, which jumped from number 36 to number 7 on the list.

Table 7. Top Overall Imports of the Philippines (US$, '000)

Product Code	Description	Total Value (2000)	Share in Total Imports*	Total Value (2005)	Share in Total Imports*
8542	Electronic integrated circuits and microassemblies.	7,300,999.68	0.2160	13,927,704.19	0.2966
2709	Petroleum oils and oils obtained from bituminous minerals, crude.	3,170,806.53	0.0938	3,894,152.82	0.0829
8473	Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with machines of headings Nos. 84.69 to 84.72.	2,176,828.16	0.0644	3,739,201.99	0.0796
2710	Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils b	483,731.01	0.0143	2,062,367.95	0.0439
8479	Machines and mechanical appliances having individual functions, not specified or included elsewhere in this Chapter.	728,855.04	0.0216	733,558.09	0.0156
8534	Printed circuits.	251,592.69	0.0074	705,482.25	0.0150
1006	Rice.	135,611.44	0.0040	549,954.20	0.0117
8541	Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light emitting diodes; mounted piezo-el	240,567.71	0.0071	451,050.72	0.0096
2603	Copper ores and concentrates.	237,816.58	0.0070	442,554.99	0.0094
8708	Parts and accessories of the motor vehicles of headings Nos. 87.01 to 87.05.	230,766.61	0.0068	414,970.60	0.0088

Source: World Integrated Trade Solution database of the World Bank
*Share = Trade value of product/Total trade value of Philippine imports

At 1.17% of total imports, rice is already far ahead of the other agricultural products that the nation brings in. This list includes wheat and meslin, milk and cream and palm oil.

Table 8. Top Agricultural Imports of the Philippines in 2005

Product Code	Description	Total Value	Share in Total Imports*
1006	Rice.	549954.2	0.0117
2304	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soyabean oil.	382114.6	0.0081
1001	Wheat and meslin.	377214.7	0.0080
0402	Milk and cream, concentrated or containing added sugar or other sweetening matter.	263488.5	0.0056
2106	Food preparations not elsewhere specified or included.	199052.3	0.0042
2401	Unmanufactured tobacco; tobacco refuse.	197579	0.0042
1901	Malt extract; food preparations of flour, meal, starch or malt extract, not containing cocoa or containing less then 40% by weight of cocoa calculated on a totally deffated basis, not elsewhere specified or including; food preparations	162580.3	0.0035
0202	Meat of bovine animals, frozen.	114092.8	0.0024
1511	Palm oil and its fractions, whether or not refined, but not chemically modified.	90826.77	0.0019
2309	Preparations of a kind used in animal feeding.	78861.85	0.0017

Source: World Integrated Trade Solution database of the World Bank

* Share = Trade value of product/Total trade value of Philippine imports

Most of the country's imports come from Germany, which accounts for 30.41% of all goods that come into the Philippines from Europe. Ireland is a distant second at 12%, while the Netherlands, United Kingdom and France follow at 11%.

Agriculture is not one of the country's main imports from the EU. Only malt extract found its way into the list, and even then, it only represented 0.8% of imports. The direction of agricultural trade is more outbound than inbound.

Table 9. Top Overall Imports of the Philippines from the EU (US$, '000)

Product Code	Description	Total Value	Share in Total Imports from the EU
8542	Electronic integrated circuits and microassemblies.	1,128,908.06	0.1537
8802	Other aircraft (for example, helicopters, aeroplanes); spacecraft (including satellites) and suborbital and spacecraft launch vehicles.	267,409.13	0.0364
3004	Medicaments (excluding goods of heading No. 30.02, 30.05 or 30.06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms or packings for retail sale.	166,048.98	0.0226
8517	Electrical apparatus for line telephony or line telegraphy, including line telephone sets with cordless handsets and telecommunication apparatus for carrier-current line systems or for digital line systems; videophones.	123,068.35	0.0168
8473	Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with machines of headings Nos. 84.69 to 84.72.	85,199.76	0.0116
8803	Parts of goods of heading No. 88.01 or 88.02.	81,408.25	0.0111
8479	Machines and mechanical appliances having individual functions, not specified or included elsewhere in this Chapter.	79,524.21	0.0108
1901	Malt extract; food preparations of flour, meal, starch or malt extract, not containing cocoa or containing less then 40% by weight of cocoa calculated on a totally deffated basis, not elsewhere specified or including; food preparations	60,216.91	0.0082
7308	Structures (excluding prefabricated buildings of heading No.94.06) and parts of structures (for example, bridges and bridge-sections, lock-gates, towers, lattice masts, roof roofing frame-works, doors and windows and their frames	46,878.20	0.0064
8541	Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light emitting diodes; mounted piezo-el	41,637.51	0.0057

Source: World Integrated Trade Solution database of the World Bank

*Share = Trade value of product imported from the EU/Total trade value of Philippine imports from the EU

3. NON-TARIFF MEASURES FACING AGRICULTURAL EXPORTS TO THE EU

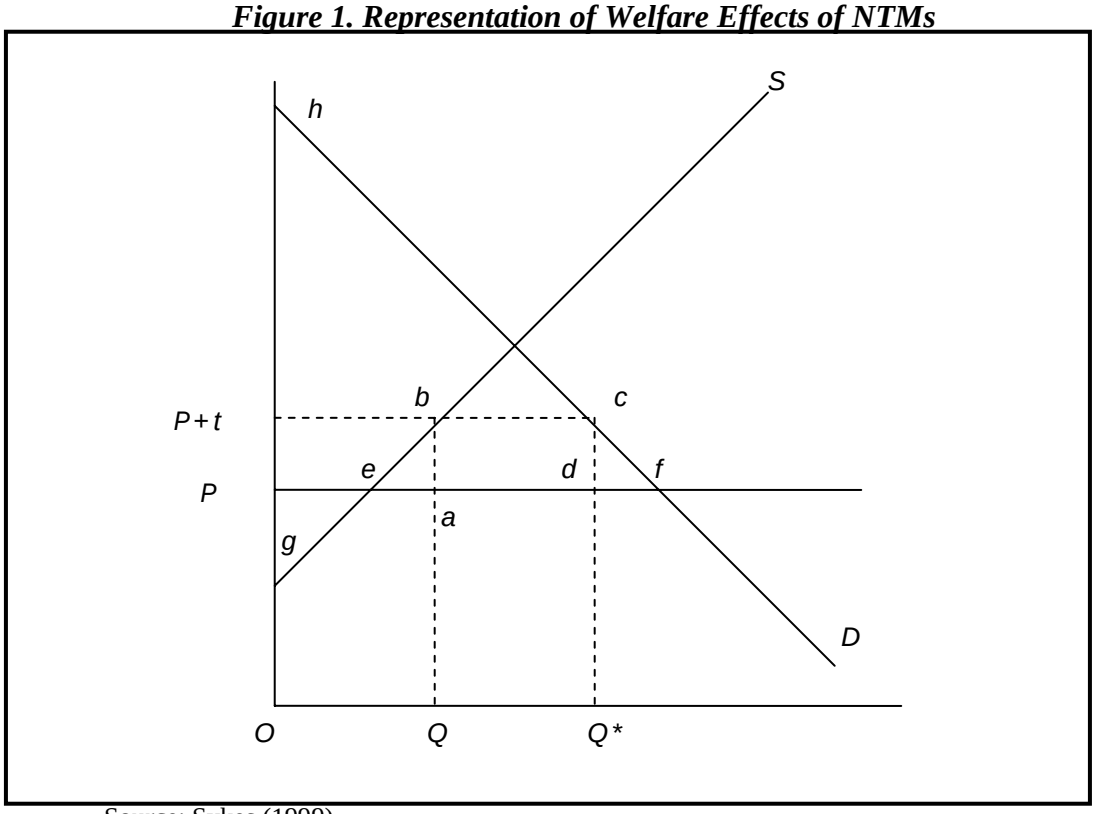
3.1 Theory and evidence

The existence of some sanitary and phytosanitary measures and technical standards may be validly defended by imposing nations on the grounds of welfare protection, or even welfare improvement. However, this is not always the case, and regulatory protectionism, defined by Sykes (1999) as "any cost disadvantage imposed on foreign firms by a regulatory policy that discriminates against them or that otherwise disadvantages them in a manner that is *unnecessary to the attainment of some genuine, nonprotectionist regulatory objective (emphasis our own),*" has been found to reduce general welfare.

To illustrate, consider a country that unnecessarily demands that all its foreign suppliers of bananas reduce the residue of Chemical A to a particular limit. Say that for the foreign suppliers to attain this limit, they will be constrained to purchase a particular pesticide that adds t to their production costs. As is the nature of business, these producers will pass this cost onto consumers, selling bananas they could normally supply at price P elsewhere at price $P+t$ instead.

The implications are illustrated in Figure 1 below. The market clears at that higher price. In such a situation, imports equate to Q^*-Q, while domestic production is Q. Domestic surplus will equal $(P+t)bg$, while consumer surplus is $(P+t)ch$. The deadweight loss in this scenario is the area $ebcf$ [the difference between initial consumer surplus Pfh and new consumer surplus $(P+t)ch$ plus additional surplus captured by the producers $(P+t)bep$]. By definition, no one benefits from this loss; thus the elimination of the *unnecessary* requirement would lead to a global welfare gain.

Figure 1. Representation of Welfare Effects of NTMs



Source: Sykes (1999)

In summary, a non-tariff barrier that increases production costs leads to higher domestic prices, reduces the amount of imports and lowers consumer surplus and net welfare in the importing country.

The increase in prices in foreign markets due to the imposition of non-tariff measures has been empirically verified. Using price data for 47 products in 115 cities in more than 60 countries, Dean, Feinberg, Signoret, Ferrantino and Ludema (2006) of the US International Trade Commission econometrically estimated the price effects of non-tariff measures based on a model for price gaps that took into account variances in per capita GDP, wages, rent, distance (representative of transport costs), tariffs and NTMs. They found that NTMs on fruits and vegetables raised retail prices by 141%, on meats by 93%, on processed foods by 87%, and on apparel by 21%. Otsuki, Wilson, and Sewadeh (2001), in particular, claim that new EU standards on agriculture imports caused a reduction of African exports to the EU by 64%, relative to their exports using international standards. Andriamananjara, Ferrantino and Tsigas (2003)'s explorations using the GTAP framework, meanwhile, revealed that global welfare would increase by almost US$2.3 billion if NTMs on processed foods were eliminated.

a. Types of NTMs

There are many types of non tariff measures, each with its own rationalizations for imposition and varied effects. Studies that examine the extent of the application of NTMs in different countries often employ a classification system to distinguish among the myriad

measures. One classification is the UNCTAD's Coding System of Trade Control Measures.[5] This system segregates NTMs into: 1) Price control measures; 2) Finance measures; 3) Automatic licensing measures; 4) Quantity control measures; 5) Monopolistic measures; and 6) Technical measures.

Sanitary and phytosanitary standards (SPS), as well as technical barriers to trade (TBT), fall under the last group (technical measures), and are often found specifically under the subcategories on product characteristics requirements (NTM Code 8110) and testing, inspection and quarantine requirements (NTM Code 8150). Because the UNCTAD's Trade Analysis and Information System (TRAINS) database, which is the primary reference for non-tariff measures as reported by their imposing countries, follows this classification system, it is often used in published research on NTMs.

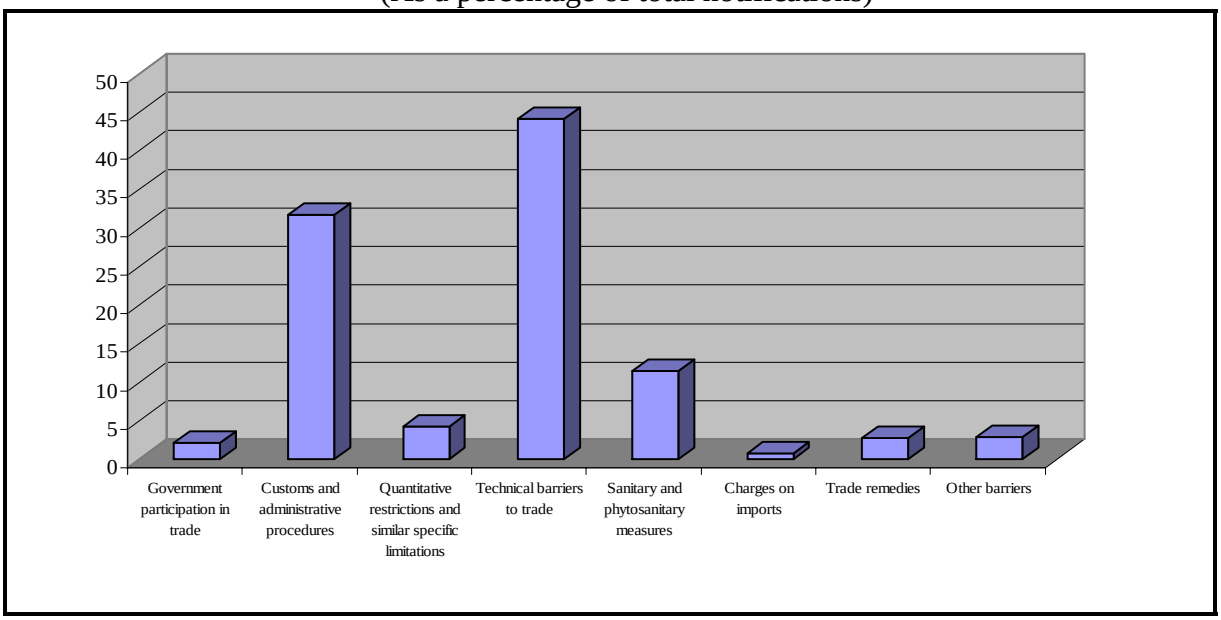
The WTO, for its part, maintains the Negotiating Group on Market Access for Non-agricultural Products (NAMA) Inventory of Non-tariff Measures. This list groups NTMs into: 1) Government participation in trade and restrictive practices tolerated by the government; 2) Customs and administrative entry procedures; 3) Technical barriers to trade; 4) Sanitary and phytosanitary measures; 5) Specific Limitations; 6) Charges on imports; and 7) Other.[6]

Over the period of March 2003 to October 2004, the WTO encouraged its member countries to notify the NAMA of barriers directly affecting their exports in foreign markets. OECD (2005) inspected a total of 1,200 notifications made by 11 OECD countries and 21 non-OECD countries.[7] These notifications were considered to be representative of the barriers affecting various sectors of the respondents' export structures. The study found that the categories of NTMs[8] that had the highest incidence of notifications were Technical Barriers to Trade (with 530 NTM entries, or almost half of the total), Customs and Administrative Procedures (380 entries), and Sanitary and Phytosanitary Measures (137 entries).

Almost half of the complaints on TBTs reported by the respondents in the OECD (2005) study dealt with technical regulations and standards (46%), followed by testing and certification arrangements (26%) and by marking, labeling and packaging requirements (16%).

[5] The full and detailed listing may be found in Appendix D.
[6] The specific subcategories can be found in Appendix E.
[7] 19% of these countries are high-income economies; 28% upper-middle income; 28% lower -middle income; and 24% low-income.
[8] Based on a slightly modified version of the NAMA Inventory of Non-tariff Measures

Figure 2. Frequency of notifications by NTM category (Non-agriculture)
(As a percentage of total notifications)



Source: OECD (2005)

In another paper written for the US International Trade Commission (USITC), Donnelly and Manifold (2006) examined the United States Trade Representative's National Trade Estimate Report on Foreign Trade Barriers, the European Union's Market Access Database and the WTO's Trade Policy Reviews to compile a list of non-tariff measures reported by 53 countries, including the Philippines. Because these three do not use a standard classification system, the authors made their own list of fifteen categories for the study. These are: 1) Anticompetitive practices / competition policy; 2) Intellectual property rights; 3) Corruption; 4) Investment-related measures; 5) Customs procedures; 6) Sanitary and phytosanitary measures; 7) Export-related measures; 8) Services; 9) Standards, testing, certification and labeling; 10) Government procurement; 11) Import licensing; 12) State-trading; 13) Import prohibitions; 14) Taxes; and 15) Import quotas.

They reported that technical barriers to trade in the form of standards, testing, certification and labeling were the third most widespread category of NTMs, practiced by 38 out of the 53 respondent countries. The said TBTs can be an important obstacle to trade with developed countries whose technical regulations, standards and conformity assessment procedures may effectively serve as border-protection instruments.

Developing countries are particularly vulnerable to regulatory changes because the relative scarcity of public resources hampers their ability to comply with more restrictive standards (Otsuki et al, 2001). Key compliance resources often in limited supply in these economies include information on technical requirements and procedures of conformity assessment, requisite technical and scientific expertise, and capital and financial resources (OECD, 2001). Differing standards and technical regulations, combined with costs of testing and certifying compliance, can constitute between two to ten percent of a firm's overall production costs (OECD, 1996).

In the ASEAN, the Interim Technical Working Group on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area determined that within the region, the second most-commonly applied NTM, covering more than 975 tariff lines, are technical measures and product characteristic requirements. [9]

Table 10. Most Prevalent NTMs In ASEAN

Non-tariff Measure	Number of Tariff Lines Applied
Customs surcharges	2,683
Additional Charges	126
Single Channel for Imports	65
State-trading Administration	10
Technical Measures	568
Product Characteristic Requirement	407
Marketing Requirements	3
Technical Regulations	3

Source: The ASEAN Secretariat

b. NTMs on Agriculture

Empirical work suggests that agricultural commodities bear a great deal of the burden of NTMs. More specifically, OECD (2005) found that live animals and products have the most reported NTMs among the participating countries, and were most strongly affected by SPS measures (114 notifications) and customs and administrative barriers (106 notifications).

Bora, Kuwahara and Laird (2002) concurs, concluding that for all exporters in different geographic markets, agricultural products do have the highest incidence of NTMs leveled on them. In the area of technical measures in particular, Pasadilla (2006) found that, the agricultural tariff lines facing NTMs within the ASEAN comprise roughly 70% of the total number of tariff lines where NTMs are applied.

According to international databases, more than 60% of meats, 50% of dairy and 46% of fruits and vegetables are covered by NTMs (Dean, Feinberg, Ferrantino and Ludema, 2003). Moreover, Kee, Nicita and Olarreaga (2006) estimate that the average level of Ad Valorem Equivalents of NTMs in agriculture is higher than that in manufacturing by 12% (20% in agriculture vis-à-vis 8% in manufacturing.) The contribution of NTMs to the overall level of protection is also higher in agriculture than in manufacturing. Agricultural export bundles,

[9] ASEAN Website. *Non-tariff Barriers* (www.aseansec.org)

therefore, are likely to face more critical market access problems than their manufacturing counterparts.

Table 11. Incidence on agriculture products (number of tariff lines)

(a)	Government Participation in Trade	Customs and Administrative Procedures	Quantitative Restrictions & Similar Specific Limitations	Technical Barriers to Trade	Sanitary and Phytosanitary Measures	Charges on Imports	Trade Remedies	Other Barriers	*Total (ii)*
(a) Live Animals and Products	2	106	5	79	114	1	0	2	309
(b) Vegetable Products	0	1	0	4	6	1	0	0	12
(c) Animal or Vegetable Fats and Oils	0	1	0	0	2	0	0	0	3
(d) Prepared Foodstuffs & Beverages	2	12	4	17	2	1	0	0	38
(e) Mineral Products	1	2	1	4	1	0	0	0	9
(f) Chemical/Allied Industry Products	3	24	6	77	1	1	5	7	124
(g) Plastics and Rubber Articles	0	13	2	10	0	0	2	1	28
(h) Leather Products	1	5	1	3	1	0	0	0	11
(i) Wood and Articles of Wood	0	3	0	13	0	0	0	1	17
(j) Pulp of Wood / Fibrous Celluloid Material	0	2	1	7	0	0	0	1	11
(k) Textile and Textile Articles	0	37	9	42	4	1	0	0	93
(l) Footwear, Headgear & Related Articles	2	19	0	41	0	1	5	0	68
(m) Articles of Stone, Plaster, Cement, Ceramic	1	5	1	8	0	0	1	0	16
(n) Pearls and Precious Stones and Metals	0	0	0	0	0	0	0	0	0
(o) Base Metals and Articles of Base Metal	2	17	3	6	0	1	13	0	42
(p) Machinery and Electronics	0	59	3	142	2	2	3	4	215
(q) Vehicles, Aircraft, Vessels	2	17	3	26	0	0	2	0	50
(r) Optical, Photographic, Medical/Surgical	0	7	0	22	0	1	0	0	30
Arms and Ammunition	0	3	2	2	0	0	0	0	7
Miscellaneous Manufactured Articles	0	13	2	12	2	0	2	2	33
Works of Art & Pieces and Antiques	0	3	0	0	0	0	0	1	4
(s) All Products & Many Products	8	25	5	11	0	3	2	10	64
(t) Not Classified	1	2	1	5	0	0	0	3	12
(u) Total	25	376	49	531	135	13	35	32	1196

Source: OECD (2005)

3.2 European Non-Tariff Measures

TRAINS provides a list of non-tariff measures per commodity as reported by the countries imposing them. In its most recent submission in 1999, the EU reported using 5,435 non-tariff measures. Among these, 1,379 or 25.37% are leveled on agricultural products.

According to TRAINS, the EU imposes twelve different types of non-tariff measures on agricultural products. The table below lists the number of agricultural and fishery commodities at the HS 6-digit level subjected to these different NTMs.

Table 12. Commodity Categories Affected by NTMs in the EU

NTM Code	Type of NTM	No. of commodity categories affected (HS6)
3520	Countervailing duties	20
5210	Retrospective surveillance	34
5220	Prior surveillance	779
6110	Non-automatic license	5
6175	Authorization to protect wildlife (CITES)	250
6176	Authorization to control drug abuse	1
6310	Prohibition	8
6371	Prohibition for human health protection	148
8110	Technical requirements	3
8111	Product characteristic requirements for human health	64
8131	Labelling requirements to protect human health	64
8150	Testing, inspection and quarantine requirements	3
	Total	1379

Source: World Integrated Trade Solution database of the World Bank

Prior surveillance requirements are clearly the most prevalent among the single categories. Taken together, however, human health-related prohibitions and technical requirements also comprise a large part of non-tariff measures.

In the area of standards and other technical requirements, the 2004 Trade Policy Review of the EU published by the WTO Secretariat notes that there are five general principles governing Food Safety to which the EU adheres. These are: 1.) A high level of food safety at all stages of the food chain, from primary production to the consumer; 2.) Risk analysis as a fundamental component of food safety policy; 3.) Full responsibility of operators for the safety of products they import, produce, process, place on the market or distribute; 4.) Traceability of products at all stages of the food chain; and 5.) Entitlement of citizens to clear and accurate information from public authorities.

Food safety activities cover the entire food production chain, ranging from animal and plant health to the labeling of food products, as well as animal welfare.

The EU closely monitors animal health conditions on imports coming from third world countries. It is very particular about veterinary checks, health standards, countries from which imports are authorized, inspections, control of specific diseases, and marketing of specific products. Under current arrangements, in order to export products of animal origin to the EU, a country must be approved for the relevant commodity, and the products must originate in an establishment approved to export to the EU. The system of approval includes an inspection procedure, health certificates and relevant animal institutions. EU harmonized health certificates are mandatory for meat, poultry, dairy, eggs, gelatin and seafood. Hygiene standards practiced in the third country must first be considered equal or equivalent to those practiced in the EU to gain entry into the region.

Meanwhile, plant health regulations cover protective measures against diseases of plants and pesticide residues, and the marketing of seeds and the propagating material for agriculture, horticulture, and forestry. Phytosanitary certificates are required for all plant products. Products may be inspected for compliance at import or at all subsequent stages of marketing. (USDA, 2005).

Many exporters to the EU complain that the standards are much stricter than international regulations (e.g. *Codex Alimentarius* and OIE), and are costly to meet (WTO, 2006).

3.4 Differences in Policies among Member States

Although the EU member states adhere to a general set of policies, this does not mean that all countries' practices are exactly the same. In fact, one of the issues that trading partners level against the community involves inadequate standards and directives harmonization across the Union, with specific countries requiring more documentation or imposing different rules than other member states. These differences may occur for several reasons. Some countries may simply require more time to adjust to newly set rules, and others are explicitly given waivers or exemptions (called derogations) by the European Commission. In some cases, there is room for interpretation with regard to community-issued directives, and each country can be more or less strict, as its government sees fit (USDA, 2005). The Union intends to harmonize Minimum Residue Limits (MRLs) in the near future.

A USTR (2006) study reports that with biotechnology playing a significant role in agricultural production, the EU has come up with a list of approved biotechnology products. However, several member states, including Spain, Denmark, Germany, Italy, the Netherlands and most regions in Austria have drafted their own co-existence laws, and imposed marketing bans and safeguard measures on some of these pre-approved products.

It further notes that Finland and Sweden impose stricter measures on salmonella and more stringent border controls with regard to the quarantine of live animals than other member states. They also have particularly strict requirements on the importation of fresh and frozen meat, ground meat and meat preparations, and table eggs. These practices are sanctioned by the European Commission as part of the two nations' accession agreements.

Meanwhile, France chose not to apply the EU directive on dietetics and prescribes its own limits on vitamin and mineral composition. Spain has similar practices. Denmark, for its part, requires ingredient by ingredient testing on nutrition products, while Italy requires a bacteriological certification[10] in addition to the set of certificates traditionally demanded of shipments to the community (USTR, 2006).

Harmonization of rules on food irradiation has been a slow-moving process and most products gain approval on a country-by-country basis.

The acceptability of stick-on labels varies among states. Naturally, the required language of labeling is dependent on the importing country.

Table 13. Language Labeling Requirements

Member State	Language
Belgium	French *and* Dutch, German recommended
Czech Republic	Czech
Denmark	Danish
Estonia	Estonian
Finland	Finnish
France	French
Germany	German
Greece	Greek
Hungary	Hungarian
Ireland	British English
Italy	Italian
Latvia	Latvian
Lithuania	Lithuanian
Luxembourg	French or German
Malta	Maltese or English or Italian
Netherlands	Dutch
Poland	Polish
Portugal	Portuguese
Slovakia	Slovak
Slovenia	Slovene
Spain	Spanish
Sweden	Swedish
United Kingdom	British English

Source: USDA

Inspection fees, registration fees and time required to gain approval for ingredients used in food manufacturing also vary.

[10] Issued in the Philippines by the Department of Health

3.5 Philippine Exports Facing NTMs

According to TRAINS data, 59 out of 163 commodities or 6.6% of Philippine exports to the country are affected by non-tariff measures. Bananas, tunas and sweet biscuits are among the commodities that face testing for authorization, prior surveillance, product characteristic and labelling requirements. Table 11 enumerates selected Philippine exports facing non-tariff measures in the EU and their respective trade values. The complete list may be found in Appendix F.

Table 14. Selected Philippine Exports Facing NTMs in the EU

Product Code	Description	NTM Code	Trade Value ($ '000)
10600	Other live animals.	6175	418.357
30410	Fresh or chilled	6175, 6371	1,088.66
71410	Manioc (cassava)	5220	19.907
80300	Bananas, including plantains, fresh or dried.	5220, 8110, 8150	243.186
160414	Fish, whole or in pieces, but not minced :-- Tunas, skipjack and bonito (Sarda spp.)	6310	22,991.886
170111	Raw sugar not containing added flavouring or colouring matter :-- Cane sugar	5220	711.044
190230	Other pasta	8111, 8131	980.234
190530	Sweet biscuits; waffles and wafers	8111, 8131	26.173
210410	Soups and broths and preparations therefor	6175	235.512
	Total trade value		34,259.112
	Percent of total Philippine exports to the EU (Percent of total agriculture exports)		0.49% (6.6%)

NTM Code 5220: Prior surveillance: 6175: Prior authorization; 6310: Total prohibition; 6371: Prohibition; 8110 and 8111: Product characteristic requirements; 8131: Labeling requirements; 8150:Testing, inspection and quarantine requirements.

While the table above indicates relatively little effect of EU application of non-tariff measures on current Philippine exports, the potential threat of the numerous NTM remains on other agriculture products which the Philippines may export in the future. What the information in the table also veils is the non-tariff measure like complete import prohibition on specific products, e.g. meat from the Philippines, which are, therefore, not registered as exports and whose lost trade value could not be assessed.

3.6 Case Studies

To better understand the implications of non-tariff measures on actual exporting firms, we interviewed some exporters of selected agricultural/fish products. This section discusses a few experiences and the *micro* level implications on costs. The actual procedures carried out to satisfy the requirements in the destination markets is discussed in the next chapter.

3.6.1 Tuna

The European Union submitted a notification that they would be reducing the maximum residue limit of lead in tuna from the 0.5 ppm limit outlined by the internationally accepted *Codex Alimentarius* to 0.2 ppm. The Union cited the negative effects of excessive lead consumption on the Intelligence Quotients (IQ) of children as its basis for the reduction. With 35.12% of all Philippine tuna exports going to the EU, the local industry took issue with this new, exceptionally stringent requirement. The Philippines was of the opinion that the EU was unable to present robust scientific basis for its proposed standard. As a result, the country submitted a formal position paper on the matter, claiming that the *Codex*-sanctioned MRL is sufficient to address these concerns. The canned tuna industry admits that an MRL of 0.2 ppm would force some exporting companies out of the trade since natural conditions in the quality of Philippine sea water would prevent them from attaining lower level of lead content.

3.6.2 Ingredients

Noodle exporters have also been forced to alter their production practices and ingredient use because certain chemicals in food coloring traditionally used in the Philippines are banned in the European Union. Similarly, high levels of particular chemicals contained in soy sauce are prohibited in the EU, preventing soy sauce exporters from accessing the market, and obligating downstream firms to switch brands. Differing requirements among countries have led exporters to alter their formulations to suit each one, taking away economies of scale while increasing the necessary capital investment for alternative processes.

3.6.3 Wood Packaging

Products are not the only targets of specific processing requirements. In particular, wood packaging material (WPM) such as wooden crates or palettes also face an additional requirement, i.e. fumigation prior to shipment. The process must be certified by the Bureau of Plant Industry, which sends an observer from the agency to oversee the procedure. The BPI issues a certification of the fumigation as well. Since all accredited fumigators are currently based in Manila, the transportation costs add to the exporters' financial burden.

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The EU attempted to take this a step further by issuing a directive that would require debarking in addition to fumigation. Since this is more restrictive than the international standard established by the International Plant Protection Convention, however, the EU received complaints from its trading partners. It eventually postponed the requirement until December 2008, with a review scheduled in 2007 (USTR, 2006).

3.6.4 Labeling

Like other developed countries in the West, EU members are particularly strict when it comes to labeling practices. Certainly, information on ingredients used and nutritional content may be joined with sanitary and phytosanitary standards, but in the West in general, many of the problems encountered by exporters fall under areas that have less to do with science and may appear somewhat less consequential.

Fiesta Brands' experience is a case in point. A longtime manufacturer and exporter of a variety of coconut products, the company's exports were barred entry to the US[11] for almost two months due to a technicality otherwise inconsequential had the oversight occurred elsewhere. More specifically, US authorities detained a shipment of Fiesta Brand's products because the label did not contain an exact address. In the Philippines, especially in far-flung regions of the country, exact addresses are not used and a nearby road, highway or general district is often sufficient to identify one's location. In years past, the company was allowed access by simply identifying a particular highway as its plant's official address in Misamis Oriental. Although the company tried to explain that no address had actually been assigned to the plant, US authorities proved adamant. To gain entry, the company was forced to request for an official address from the Philippine government – a process which took nearly two months to complete

4. CAPACITY ASSESSMENT OF THE PHILIPPINES

4.1 Certification process in the Philippines

To assure foreign countries that their products meet specific requirements, exporting companies must submit certain certifications prior to engaging in trade, as well as attach particular certificates with every shipment they send. Majority of these certifications are traditionally issued by the appropriate bureaus under the Department of Agriculture or the Department of Health. The Phytosanitary Certificate and the Official Meat Inspection Certificate (OMIC) are just two examples of documentations plant and animal product exporters must obtain.

a. Phytosanitary Certificate

The Phytosanitary Certificate is issued by the Quarantine Division of the Bureau of Plant Industry (BPI) for every shipment of plant products leaving the country. This certificate is not a standard form. Rather, it is customized based on the requirements of the importing countries. For this reason, exporter must first acquire an import permit from his intended destination country before seeking the certification. The permit will contain the specific country requirements (e.g. specific treatments, laboratory testing) for the specific product, which the BPI will then check for and certify for compliance[12]. Aside from the import permit, the issuing officer also uses the Food and Agriculture Organization of the United Nations (FAO) Digest of Plant Quarantine Regulations as a primary reference. Regularly updated by the International Plant Protection Convention, the digest contains the rules and regulations of each country regarding the importation of different commodity classes of plant material. The fee for the certificate is dependent upon the volume of shipment, with the exporter paying PhP5.00 per metric ton.[13]

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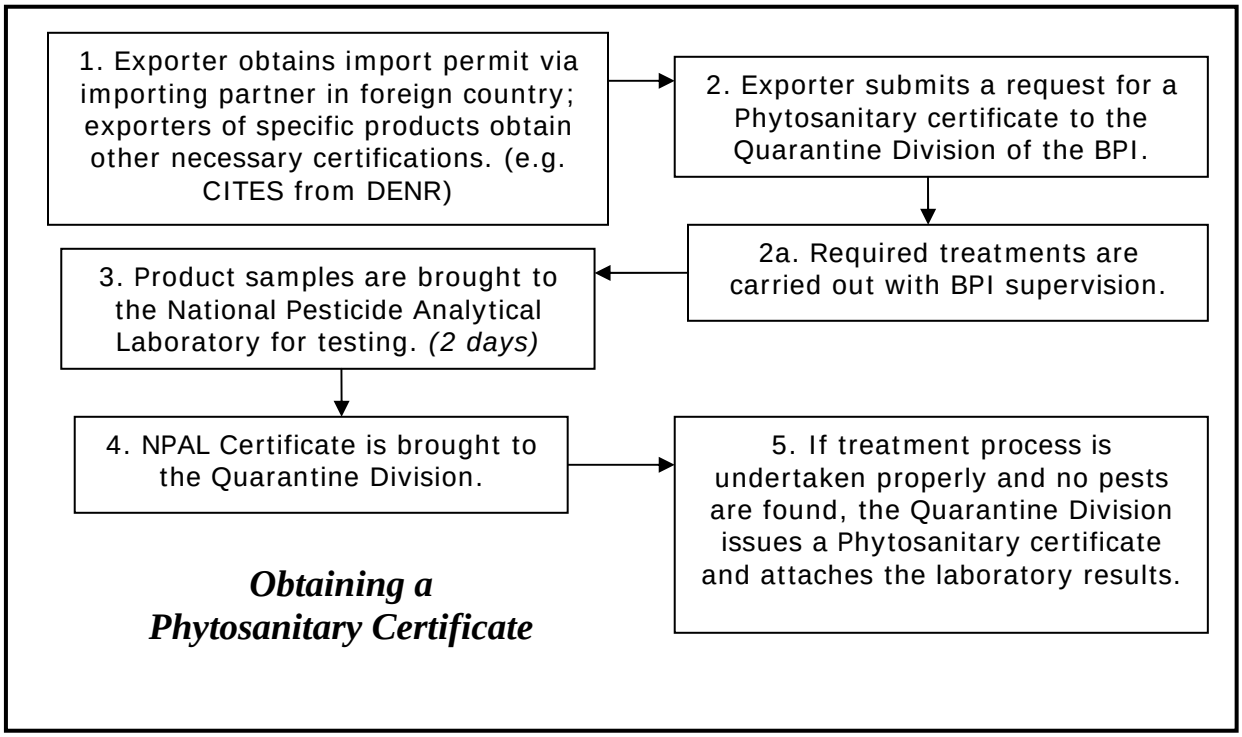
[11] Even though the experience does not pertain to EU export, we find the Fiesta Brands' experience illustrative of what can also take place in other countries like the EU because of labeling problems.

[12] For countries and products without an import permit, the BPI conducts a one-hour ocular inspection, checking for the cleanliness of the sample and the apparent lack of signs of pests or diseases.

[13] It should be noted that, per Executive Order 554 entitled "Directing all Departments, Bureaus, Commissions, Agencies, offices and instrumentalities of the national government, including Government-Owned and/or Controlled Corporations, to improve the competitiveness of the country's export sector by eliminating the fees and charges imposed on export clearances, inspections, permits, certificates, and other documentation requirements," issued by

Attached to the Phytosanitary Certificate are laboratory results from the National Pesticide Analytical Laboratory (NPAL). This laboratory, funded by the Japan International Cooperation Agency, conducts testing for chemical residues in plant products. Per the *Codex Alimentarius*, the internationally accepted set of standards for plant products, five kilograms of each product from every shipment is brought to the laboratory for analysis. Both the National Capital Region main laboratory and its satellite laboratory in Davao City are capable of conducting analyses of export material. After testing, the NPAL issues its own certificate listing its specific findings. The residue detection process normally takes 24 hours, and exporters are advised to return to the NPAL two days after submitting their samples for the results and certification. The standard fee for a multi-residue analysis is PhP5,250.[14]

Box 1. Procedures in Obtaining a Phytosanitary Certificate



President Gloria Macapagal-Arroyo, fees for certifications were eliminated in January 2007. Laboratory testing fees remain in place.

[14] Aside from Japan, which as previously mentioned, requests specific analysis of chlorpyriphos and cypermethrin content, all other countries look for a standard set of laboratory tests on 14-24 pesticides based on *Codex* standards.

b. Health Certificate

The Sanitary/Health Certificate (HC) is issued by the Administrative Support and Product Certification Unit (ASPCU)[15] of the Bureau of Fisheries and Aquatic Resources (BFAR) on fish and fishery/aquatic products leaving the country.

Before a company can even apply for a Health Certificate, its fish processing plant must be Sanitation Standard Operating Procedure (SSOP) and Hazard Analysis Critical Control Point (HACCP) certified. Only those with ratings "AA," "AB" or "BA" are allowed to export. Accreditation is done once per quarter.

Like the Phytosanitary Certificate, there is no standard Health Certificate. Different countries provide different forms, and the ASPCU fills out a form based on the request of the exporter which states the destination country of the product. The application for an HC must be submitted to the agency one week before the intended shipment date.

Before the HC can be signed and released, the exporter must present, together with his application, a packing list, a proforma invoice, laboratory analysis results and a pre-shipment report. For certain aquaculture products such as bangus, tilapia and shrimps, additional requirements include quarantine and certification of compliance and monitoring for fish health.

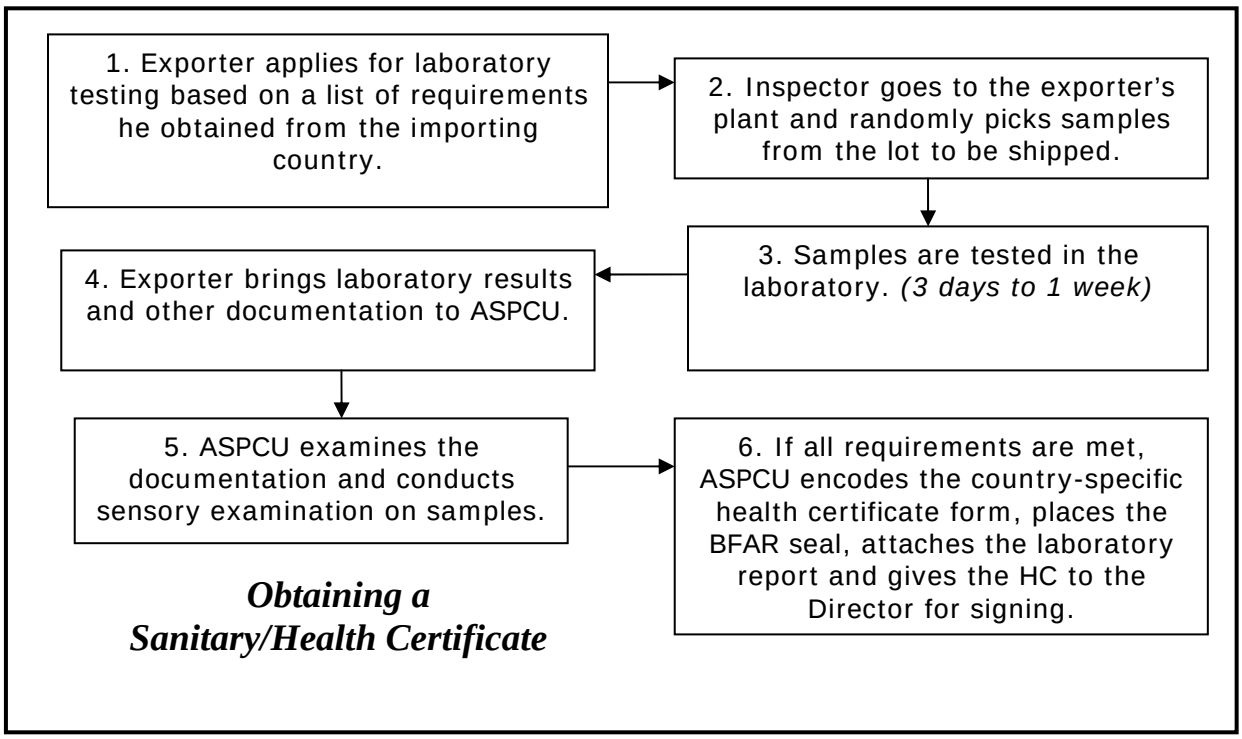
For fishery products sent to the EU, microbiological, chemical and sensory exams must be conducted. Laboratory analysis may be done at any of the seven official BFAR laboratories located across different regions of the country or eight other government and private laboratories in the National Capital Region. The main laboratory is the Fisheries Product Testing Laboratory of the BFAR. This is located in Quezon City. The number of samples required is dependent on the type of laboratory certification requested. For Micro Analyses, there must be five samples per species submitted, for histamine testing, nine, and for heavy metals and metabisulfite, one kilogram. Sensory evaluation is done on five samples per shipment.

Exporters are not allowed to select the samples for testing themselves. Rather, a BFAR inspector goes to the plant and selects the samples from the lot intended for shipment.

Laboratory fees vary depending on the kind of analysis required. A full panel microbial evaluation costs PhP1,650 per sample. Because microbial evaluations take a full five days to be completed, the laboratory only accepts samples on Mondays, up to 10 AM. The results of this test are released on Fridays. Histamine tests cost PhP450 per sample, while analysis of heavy metals, including lead, is priced at PhP1,200 per element. Sensory evaluation is an additional PhP100.

[15] BFAR had also accredited regional laboratories in regions 9 and 12 for fish bound for the EU. For all other destinations regional laboratories have already been accredited.

Box 2. Procedures in Obtaining a Sanitary/Health Certificate



In summary, there are a number of certification procedures exporters have to comply with to be able to export their products abroad. Some of these have to be obtained each time the exporters make shipments, while others are done only periodically (annually or once in two years). Table 12 summarizes these certificates and Appendix G provides detailed information on the other certification processes available in the Philippines.

Table 15. Certifications By Frequency of Issue

Per shipment	Per set time period
Phytosanitary Certificate	HACCP Accreditation (every year)[16]
Sanitary/Health Certificate	Halal Certificate (every year)
Official Meat Inspection Certificate	ISO Certificate (once every 2-3 years)
International Veterinary Certificate	GMO Certificate *
CITES Permit	
Bacteriological Certificate	

- The GMO Certificate is issued only once, and does not have to be replaced or renewed unless a firm changes its GMO practices.

[16] Some private standards certification firms issue HACCP Certificates with a similar validity period as ISO Certificates (2-3 years). However, for an OMIC to be issued, a HACCP Certification specifically from the NMIS must be in the possession of the meat establishment wishing to export its products, and the NMIS Certificate is valid for only one year.

- The Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) Permit certifies that the export products are neither endangered nor wild-collected.

4.2 Estimating certification costs

How much do these certification requirements add to the cost of a regular shipment?

Take a prospective exporter of processed meat products, for example.[17] In order to export, the firm must first obtain a Hazard Analysis Critical Control Point certification from the National Meat Inspection Service. The certificate itself costs PhP5,000 for one year of operation, assuming its plant needs no major upgrades in order to meet the requirements of HACCP. Once this is obtained, the per shipment procedures begin. The firm must take ten samples of each product it would like to export and bring this to the NMIS laboratory, where they must be left for analysis anywhere between five and fourteen days. Apart from the cost of production of these samples, an additional financial expense of PhP350 per sample is required. Assuming that the exporter has two different products, the cost of laboratory testing would amount to PhP7,000 (PhP350 x 10 samples x 2 products). Once the results are obtained, the exporter must now get an Official Meat Inspection Certificate. An OMIC is issued for every product, so the firm must submit a request for two separate OMICs. Since each OMIC costs PhP75, this step adds PhP150 to the total cost for compliance. Finally, an International Veterinary Certificate must be attached to the set of documents to be sent with the shipment. This is another PhP100. The per shipment cost of certification thus amounts to more than PhP7,250 for a two commodity exporter. Considering that some firms export as many as twenty products per shipment, the expenses do pile up.

Box 3. Cost of compliance for a meat exporter

Total sales value* of a standard two product shipment of meat	PhP	300,000
Cost of per-shipment NTM-related expenses		
Laboratory Testing (PhP350 x 10 samples x 2 products)	PhP	7,000
OMIC (PhP75 x 2 products)		150
International Veterinary Certificate		100
HACCP Certification (PhP5000/No. of shipments per year)		16
Total Cost	PhP	7,266
Share of additional NTM cost in sales value (Cost/Sales value)		2.4%

* A more helpful measure would be production cost, but for understandable reasons, this information is considered confidential by firms, and they are unwilling to publicly release such information.

[17] Even though the country does not currently export meat to the EU, there is a desire to do so in the future, and this breakdown is useful in order to anticipate the costs.

Fish exporters, for their part, face laboratory testing for health certificate processing by the Bureau of Fisheries and Aquatic Resources. The cost of this amounts to PhP7,425 (PhP330 x 9 samples x 2.5 fcls). This represents 1% of the sales value of one container (estimated to be about PhP720,000).[18]

A representative mango exporter, meanwhile, tags quality control and laboratory testing as representing 5% of its production costs. This includes payments for the phytosanitary certificate, testing fees set by the National Plant Analytical Laboratory[19], hotel expenses, overtime payments and allowances for the Japanese and Korean inspectors, and overtime payment for the BPI quarantine personnel.

Of course, these expenses are essentially only financial costs incurred primarily for certification. That they cost little in terms of percentage of cost of shipment and hence do not appear 'bothersome' to exporters does not necessarily imply that NTMs are inconsequential to agriculture and fish exports. What may not be captured is the hidden cost caused by stringent NTMs on firms that are effectively precluded from exporting to these countries because of their lack of ability to upgrade their facilities to satisfy the health and standards requirements. That is, the large expenses, usually reaching millions of pesos, for capital expenditures necessary for a firm to qualify for standards certifications, which may be the ultimate deciders of whether a particular firm will be able to enter the export arena or not, is not taken into account from the above cost estimation.

These capital costs naturally vary from firm to firm, as they are dependent on each one's initial conditions (i.e. whether they already have modern machines and facilities or completely outmoded production processes), capacity for creative thinking, and the specific requirements of the primary export market. These are not captured in the above-listed cost of compliance, as these are sunk costs.[20]

Most regular out-of-country costs are incurred not by the exporter from the Philippines but by the European importer. The importer pays for the authorization documents as well as the cost of inspection or sample evaluation when the products reach the EU. The only time that an exporter would incur NTM-related costs once the product is outside the Philippines is when the product is rejected by the importing country. If the product must be destroyed, the exporter would face charges for the disposal procedure[21], and, depending on the contract and specific circumstances, may also face penalties from the importer associated with non-delivery or non-compliance. If the exporter would prefer to have the product returned to the Philippines, he

[18] Based on estimate provided by one tuna exporter. In general, we found it difficult to obtain more specific data from fish exporters.

[19] However, the cost of the samples tested is absorbed by the importer.

[20] As an example, the cost of vapor heat treatment machinery is filed by mango exporters under a different category of expenses. Expenses incurred are filed under depreciation expense, which is part of other factory overhead.

[21] While no specific example could be gleaned for Europe, Monde Nissin reports that it had to spend PhP700,000 solely for the disposal of one shipment to Japan that did not meet the requirements.

would be responsible for the cost of freight. These out-of-country costs is difficult to estimate because: 1) refusal of Philippine goods does not happen with predictable regularity; 2) the required action by importing countries vary, depending on the nature of so-called 'violation' as well as on type of agriculture goods. For instance, punitive action can range from outright destruction of goods to simple time delays, which nevertheless entail additional cost, in the release of the commodity from customs.

4.3 Growth in Compliance Capacity

A loud outcry has been raised, especially from developing countries, regarding the increasingly stringent and ever changing standards imposed by their developed country counterparts. Lamentations are common especially as regards to the unfair and unmanageable regulations enforced by countries well-known for their attention to food safety.

Despite the hassle and cost of the certification process, conversations with exporters reveal that, for the most part, they are willing and able to cope with the existing requirements of importing countries.[22] There are agencies that make the necessary certifications available and that coordinate with foreign governments regarding the acceptability of local certificates. Where treatment is necessary, firms adjust their production processes accordingly, building facilities and obtaining the necessary chemicals. While they report increased costs brought about by the necessity of compliance, they acknowledge that, at present, the profits from exporting still outweigh the costs. This, however, may not hold true for countries, say China, where margins for specific products, e.g. mangoes, are much smaller. In these cases, stringent non-tariff measures plus low profit margins eliminate exporters' interest in the foreign market.

What is more burdensome, according to views of the exporters we interviewed, are, actually, the "trade facilitating" expenses within the Philippines. These come in a variety of forms, from tips to government employees to outright bribes to accelerate the custom processing of their papers.[23] The corresponding cost from these practices is not necessarily only financial but, more importantly, economic, i.e., the cost of uncertainty on when paperworks are going to be completed, the delays, etc. Unfortunately, this practice of providing 'process lubricating' expenses has become part of the 'cost of doing business' in the Philippines.

To the extent that countries follow international standards and apply them equally to all countries, the exporters are willing to learn to adhere and adjust. In other cases, some exporters request for compromises, and trading partners are flexible enough to provide them appropriate notification and adequate time to adjust to new standards.

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[22] However, this does not take into account a possible "sample selection bias" from the fact that the existing exporters are precisely those which have the capacity to adjust to the EU requirements. Further study should be done on exporting firms that have had to drop out of the EU market because of inability to cope with food safety standards, among others reasons.

[23] Some exporters do not find the system too burdensome as the cost for all the "tips and trade facilitating" payments are not normally very high except when the pay is for those who have power to hold shipment indefinitely.

That said, it must be acknowledged that the firms interviewed were primarily old hands at exporting, who are comfortable with the current situation because they have had years to adapt.[24] Fiesta Brands, Diamond Star and Monde Nissin were able to cope with the additional and varying standards of other countries, but they are relatively large and well-established firms. Fiesta Brands has been in operation since 1986, while Diamond Star has had eighteen years' worth of experience in exports. Not all firms are similarly endowed. In fact, among the 22,500 food and beverage processors in the Philippines, 99% are cottage, small and medium enterprises[25] (dela Pena, Blaha and Avila, 2005). Unable to afford the technological and manpower requirements of compliance, these subsets may find it more difficult to deal with stringent non-tariff measures. Even in the simple matter of laboratory testing, the fixed quantity of required samples and the costs of the tests and certificates alone will be more draining on smaller firms that export limited quantities per shipment than on established firms that are able to maximize and fill up entire containers every shipment. The result may be marginalization of these smaller establishments or even complete inability to gain market access.[26]

Additionally, there are certainly still clear problems within the current structure that deserve to be addressed at the soonest possible time if the nation is to expand its export activities as is desired. We discuss these next.

4.4 Problems, issues and constraints

One of the more glaring issues is the inadequacy of infrastructure, both technical and legal .

On the technical front, laboratories are not used optimally. While there are regional branches of the NPAL and the NMIS laboratory division, not all of these meet ISO requirements nor are they all accredited by the country's trading partners. In certain cases, the only ones capable of providing results deemed acceptable by importers from other countries are the Metro Manila-based laboratories. This proves inconvenient and costly for exporters, many of whom ship from ports scattered around the country, who have to send samples to Manila rather than to their regional offices. The satellite laboratories thus end up being underutilized even as their NCR counterpart is backed up, and the costs of building and operating laboratories in other areas appear unjustified.

The NMIS laboratory alone handles all testing of meat products. During peak seasons, the laboratory can get backed up, and instead of the standard four to five days of analysis, the release of results takes one to two weeks. As a government facility, the laboratory is also closed

[24] Efforts were made to get the input of new entrants, but those contacted were unwilling to be interviewed.

[25] A cottage enterprise is one whose total assets are valued between PhP150,000 and PhP 1.5 million. The Magna Carta for Small Enterprises (Republic Act 6977, amended by Republic Act 8289) defines a small enterprise as having 10-99 employees and PhP1.5 million to PhP15 million in assets, while a medium enterprise is one that has 100-999 employees and PhP15 million up to PhP100 million in assets.

[26] How small and medium scale industries are able to export is through partnerships with other SME exporters and consolidators who will then take the cost burden of the certification process. The nature of the export market is really such that a firm has to be sufficiently big and able to exploit economies of scale in order to benefit. Otherwise, SMEs in agriculture and food sector would be perpetually engrossed only with the local market, especially now, in light of more stringent NTMs and domestic inability to quickly adjust production processes.

during weekends, and samples that come in during the latter half of the working week are not processed until the next Monday. Bureaucratic red tape is another issue, because results often have to pass through and be signed by several people before certifications may be issued. In any market, waiting time has its cost for sellers.

Even the main NMIS laboratory is not recognized as being of sufficiently high standard as to allow for mutual recognition agreements at the present time. While the laboratory has been inspected by officials from some countries with which the Philippines hopes to sign agreements, it has been noted that in-depth reports on specific microorganisms of particular interest to trading partners could not be made available. The lack of such documentation holds up the proper, thorough consideration of the country as a viable accredited exporter of meat to markets like Singapore, the EU and the US. The development of a database on these microorganisms is of course a costly endeavor, and government funds are limited.

The equipment of current laboratories also lag behind their foreign counterparts. Monde Nissin incurred a PhP700,000 loss when a shipment to Japan domestically tested to contain 0.00 benzoic acid was found to contain 0.008 instead. Since this was above the 0.005 limit set by the country, the product was impounded at the Japanese port.

The role that is played by private laboratories in other countries, either equally sharing the burden of research and analysis with government laboratories, or, in some cases, taking over almost completely, with the government playing only a coordinating role, is not replicated here. While there does exist an accreditation system for laboratories under the Bureau of Product Standards (BPS) of the Department of Trade and Industry, the process is not mandatory and only a limited number of laboratories have been successfully accredited. The process is highly backed-up; an application filed in early January will not even be processed until May at the earliest. It often takes months to years for accreditation to be received, especially in cases in which the on-site assessment team reports many shortcomings. This accreditation costs PhP5,000 per scope, with an addition of PhP300 for the application and PhP500 per man-hour of on-site assessment. There is an annual renewal fee of PhP3,000, and each laboratory pays PhP500 per man-hour during the yearly surveillance by the BPS.

While many other nations are resorting to electronic certification and tracking, the Philippine has been unable to follow suit. This is a problem, especially considering how important the issue of traceability has become in the global market. Many producers of fresh fruits in the country are small-time or backyard farmers in far-flung areas, whose produce is then consolidated by exporting companies. They do not have the sophistication to keep the minutest details of pesticides and fertilizers used, water sources, or diseases of workers that worked the farm. They would, perhaps, need to be trained to do so, but this would entail time and patience before they get into the habit of recording everything that was done on the farm.

Capacity for risk assessment of goods leaving and entering the country is sorely lacking. While technical support have greatly uplifted testing capacities in BFAR, PCA, and BPI through technical support grants from EU and Japan, certain capabilities are still not within reach. For example, the country lacks capacity in microbiological checking, technical experts are few, not to mention manpower with both negotiating skills and technical expertise. Some machines are

unaffordable, maintenance of donated ones is poor, database of pests unavailable, office and computer facilities cramped[27].

On the legal front, most of the laws and references of the agencies are outdated and have not been amended to go apace with developments in international trade rules. In particular, based on interviews with experts on SPS and agriculture, it appears that there is a legal gap to mandate one specific government agency to take charge of food safety in plants. While there are specific agencies tasked with animal health (BAI), plant health (BPI), food safety in animal and fish products (NMIS), safety in processed food and drugs (BFAD), there is none that certifies for and enforces food safety in plants, e.g. enforce recall of contaminated plants that entered the domestic market. More details of this type of institutional inadequacies can be found in a joint paper by the DA and EMERGE entitled "Legal Parameters in the Administration of Sanitary and Phytosanitary Measures in the Philippines" (2006a).

5.0 POLICY RECOMMENDATIONS AND TECHNICAL CAPACITY NEEDS

A clear mandate and unambiguous delineation of duties and responsibilities are clearly necessary for the proper operation of any agency. One of the first steps, therefore, would perhaps be some lobbying of Congress for the prioritization of bills that will redefine the roles of the different agencies with regard to their powers and jurisdiction. At present, the Bureau of Plant Industry, Bureau of Animal Industry, National Meat Inspection Service, Bureau of Fisheries and Aquatic Resources, Bureau of Agriculture and Fisheries Product Standards, several commodity specific agencies (e.g. the Philippine Coconut Authority, Fiber Development Authority, Food Development Authority), the Bureau of Food and Drug, Department of Health, local government units and special economic zones all have roles to play, some of which are duplicates of or overlap with one another. This lack of harmony must be addressed. There has been a move toward the rationalization of the laboratory system and the integration of the standards-setting bodies, and this warrants closer consideration. If full integration seems impossible at the present time, those intimately familiar with the current situation indicate that the prompt harmonization of processes and administrative details (e.g. types of documents to be submitted, fees, step-by-step procedure) would be of great help and facilitate the movements of exporters. This would be especially beneficial for new exporters, who do not have familiarity with the certification process and who currently are often bounced back and forth between bureaus as they feel their way through an unclear, improperly documented system. A joint DA-EMERGE study recommended that a manual of operations that details the practices and responsibilities of each agency be created, but this suggestion has not been acted upon at present.

Inquiries by the DA-EMERGE team into current practices show that there is a strong focus on the regulatory functions of the agencies involved, but research and development and

[27] Due to limited resources, inadequate training is provided to the staff of the different agencies. Seminars often involve only one officer per region, and this person is then entrusted to disseminate the information he received. There is no standard format for this dissemination, and thus dangerous inconsistencies in practices may develop over time. Quarantine facilities at ports of entry are likewise inadequate. There is need for 'rendering' facilities, facilities for suspected items that require high heat treatment, facilities where undesirable goods can be destroyed, as well as storage places where goods waiting to be returned could be stored. These issues affect imports, more than exports, but we thought it worth mentioning them here.

training and extension activities are not given much attention (2006b).[28] These are also very important areas and capacity must be developed.

The accreditation of more laboratories would facilitate the testing process, reduce time constraints and allow for a more efficient flow of goods. Delays in documentation lead to extra costs for exporters, and the Philippines' stated desire to promote and increase the countries' export activities can only be helped along by the eradication of as many of these unnecessary costs as possible.

Satellite laboratories need to be developed, and upgrades on currently existing laboratories are also necessary to ensure that test results are accurate and precise.

Guidelines may also be laid down for a tangible role for industry; cooperation between the public and private sector may help ease the burden on the government to fund the building of necessary infrastructure. In truth, exporters today already turn to private accreditors because of uneasiness regarding acceptability of their products. As long as the coordinating function of the government is properly carried out, and an apt accreditation system is in place, the Philippine ought to be able to follow the example of other nations in turning to reliable private laboratories. If schemes can be drawn up to facilitate the accreditation of both government satellite laboratories and third-party laboratories, the nation could greatly benefit.

The IT infrastructure needs to be improved. Electronic certification is fast becoming the global standard, and the nation cannot lag behind. There is a need to improve the capacity to trace products from the beginning to the end of the manufacturing process and the capacity to then manage the data and make it useful for analysis.

There is still much work to be done with regard to the development of necessary research protocols, the construction of a database and regulatory impact analysis. The Philippine would benefit from mutual recognition agreements, but as long as conformity assessment is a problem due to the lack of technical capacity within the agencies responsible, the likelihood of successful MRA negotiations is very small. Current standards in risk analysis fall way below international ones, and this cannot be allowed to continue. Training must be given to the staff in order to better familiarize them with international practices. Institutional reorganization would be recommended so as to build an efficient and dedicated staff. Another observation from those who have followed the operations of the DA bureaus is that there is a need to build a database of laboratory results, because this will be helpful for risk assessment and management. Experts are needed to verify other countries' risk assessment of our products; scientists who are qualified and can speak the language of trade negotiations must be actively involved. Recording of these laboratory results may be tedious and costly, but it must begin now. Tie-ups with universities would be recommended to help with this. Networking can be a very valuable tool.

[28] In recent years, some of the R&D, training and extension activities of departments and bureaus have indeed been devolved to local government units, but within the Bureau of Animal Industry, the different divisions do still maintain some of these functions. The National Veterinary Quarantine Service, for example, conducts its own import risk analysis studies, while the Animal Feeds Standards Division counts among its responsibilities research and training on feeds.

The local certification agencies tend to rely on the exporters to be aware of the requirements of the importing countries. While it is true that the private sector is responsible for its business, perhaps a database can also be developed to assist smaller enterprises hoping to break into the foreign market. Closer contact between the government and industry councils would be helpful. Via this channel, the agencies involved can receive feedback on the experiences of exporters and adjust procedures and practices accordingly. Regulation can then be a learning experience.

The government must also support technology transfer in the country. This is one of the aspects in which the Philippines' Asian neighbors have gone much further ahead. Learning must be encouraged, and the government must give whatever support it can to the development of knowledge and technological tools to improve the production processes as well as sanitation and health standards.[29]

Finally, the DA observes that the Philippines is currently not yet an accredited exporter of meat to the European Union. Therefore, it notes, some guidance and assistance with regard to meeting the stringent requirements of the market would be appreciated, as exporters believe that there is demand for their products in the region.

In terms of specific technical capacity needs of the country, there are certainly some areas in which assistance would be of much help.

The first of these is the provision of scholarships or training of experts. Scientists in particular are needed, as the pool of experts to which the DA can currently turn is very small. In order for scientists to be sufficiently familiar with international practices, some training by and interaction with their foreign counterparts may be necessary. Unfortunately, the current cost of studying abroad is prohibitive for most Filipinos. Some funding for either full degree courses or short training sessions in such areas as biology, chemistry, microbiology, parasitology and entomology would go a long way in improving the quality of analysis and risk assessment in the country.

Equipment in the laboratories will need to be repaired, improved or replaced. Government laboratories have limited funds to lease machinery, much less purchase them, and the issuance of grants for an upgrade would be of much help. Of course, the staff will need some training in the optimal use of new machines. The suppliers often offer training sessions for this, and funds must be allocated to allow some laboratory analysts to attend. If maintenance training can be given to those who operate the machines, this would be of additional value in ensuring that these do not quickly fall into disrepair. There are limitations to tests that the laboratories can run at present because some chemicals are too expensive to stock or purchase. Grants that will allow for the purchase of proper re-agents for laboratory testing should also be considered. For

[29] Speaking of following the example of more successful Asian neighbors, the Philippines would do well to learn from Thailand, which has managed to make an impact on the food market, getting its products and dishes recognized the world over as part of the mainstream. The Philippines, in contrast, has failed to differentiate its products. This has resulted in a limited market abroad, supported mainly by overseas Filipinos. A need exists, therefore, to specialize and focus, to develop certain products unique to the country, and to create a 'brand' that will foster exports. While this is more a marketing, rather than a market access solution, it is something that may be worthwhile for the private sector to consider.

this area in particular, the sustainability of funding must be discussed at the outset, because it has been observed in the past that foreign-assisted laboratories tended to fall into disuse once the projects funding them expire.

It has been observed that the presence of two ports in Region 3 of the country places greater demands on the satellite laboratories in the region. The earmarking of funds directed toward building capacity, equipment-, space- and personnel-wise, in those particular laboratories is worthy of consideration. The Davao port is a busy one as well, especially with regard to fish and fresh fruits. The facilities in the area must be prioritized in terms of ISO compliance and capacity building.

IT infrastructure needs to be developed, especially in satellite facilities. There is an increasing requirement for electronic tracking and certification, and this cannot happen while there are not enough computers in the regional offices of the lead agencies. In some cases, there are no telephone lines linking these offices to others, much less internet connections. Donations along these lines would be welcome.

On a related note, projects need to be undertaken to document the existence of pests and other microorganisms for purposes of building a proper database. This will require individuals to come up with a concrete methodology, disperse across the country, personally visit farms and observe them for protracted periods of time, gather samples and test them, inquire after historical information, convert the information into usable data, and encode these. It is an arduous and relatively labor- and time-intensive task, which will require funding. It would be useful to obtain specific grants for such projects. A foreign consultant recommended to the DA that the adoption of the Laboratory Information Management System will be useful; a project geared toward this may be proposed.

Before private laboratories can be used as alternatives to official government ones, the accreditation system needs to be facilitated. If more laboratories are able to be accredited quickly, the burden on official laboratories attached to agencies will be much alleviated. This might mean adding some personnel to the accrediting body or otherwise finding ways of improving the productivity of the current staff.

The area of information dissemination across the public and private sectors of new standards, health requirements, regulatory practices and necessary responses is another one in which assistance could be used. Guidance in setting up accessible inquiry points for exporters both old and new, recommendations on how new health requirements can be met, and open and up-to-date communications about the specifics of changing standards and practices are a few of the specific needs of the country.

Research is always key, and not nearly enough of it is done in this country. Firms are limited by the lack of knowledge, and one way by which they can be helped in the provision of funding for studies that examine the current levels of market penetration by Philippine products in relation to those of their competitors, as well as those that look into the country's potential in the different markets. Research into the potentials of different products would also be very

helpful. This will allow them to form strategies that will allow them better access into the European market, addressing their shortcomings and emphasizing their strengths.

With regard to the private sector's own response, since it is the smaller firms who are perceived to have some difficulty with the high costs of some requirements, they can bond together not just in terms of consolidating their products but perhaps also in the development of necessary treatment facilities. A consortium of companies would be better able to raise funds than a single entity.

Those having a strong forward-thinking mindset can also look toward the academe. Cooperation between universities and firms may lead to technological breakthroughs that would reduce the costs of compliance.

Finally, all these suggestions would not fly in the face of lack of political will and genuine leadership. To be fair, many of the above difficulties and suggestions have long been known by people in the different agencies. For example, the overlapping functions of agencies is supposedly being addressed in the ongoing government restructuring process. Yet, nothing concrete has yet come out of it. Any major government organizational change would require strong political will right from the very top of the echelon. The lack of funds for machineries, experts training, and what not, would forever persist unless the legislative machinery that is in-charge of agencies' budget fully appreciates the importance of upgrading capacities in standards and testing facilities, and thereby allocate money for such. As in many other problems in the country, the solution to the country's lack of capacity requires a more radical solution that often goes beyond the capability of individual agencies. Still, various suggestions are still worth making, in the hope that the required action not come too belatedly that most other ASEAN countries have gone far ahead before we start.

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Appendix A.
WTO DEFINITION OF AGRICULTURE

Per the Agreement on Agriculture within the World Trade Organization, the agricultural sector consists of the following products:

Table 1. WTO Definition of Agriculture

(i)	HS Chapters 1 to 24 less fish and fish products, plus*		
(ii)	HS Code	2905.43	(mannitol)
	HS Code	2905.44	(sorbitol)
	HS Heading	33.01	(essential oils)
	HS Headings	35.01 to 35.05	(albuminoidal substances, modified starches, glues)
	HS Code	3809.10	(finishing agents)
	HS Code	3823.60	(sorbitol n.e.p.)
	HS Headings	41.01 to 41.03	(hides and skins)
	HS Heading	43.01	(raw furskins)
	HS Headings	50.01 to 50.03	(raw silk and silk waste)
	HS Headings	51.01 to 51.03	(wool and animal hair)
	HS Headings	52.01 to 52.03	(raw cotton, waste and cotton carded or combed)
	HS Heading	53.01	(raw flax)
	HS Heading	53.02	(raw hemp)

Appendix B.
SHARE OF THE EU IN THE PHILIPPINE AGRICULTURAL EXPORT MARKET

Table 2. Share of the EU in the Philippine Agricultural Export Market

Product Code	Description	Exports to the EU	Exports to World	Share of EU in Exports
010511	Weighing not more than 185 g :-- Fowls of the species Gallus domesticus	22.75	753.655	0.030186
010592	Other :-- Fowls of the species Gallus domesticus, weighing not more than 2,000 g	23.352	23.626	0.988403
010600	Other live animals.	418.357	1,637.29	0.255518
030110	Ornamental fish	467.6	7,126.42	0.065615
030193	Other live fish :-- Carp	1.5	77.938	0.019246
030199	Other live fish :-- Other	6	15,189.25	0.000395
030232	Tunas (of the genus Thunnus) skipjack or stripe-bellied bonito (Euthynnus (Katsuwonus) pelamis), excluding livers and roes :-- Yellowfin tunas (Thunnus albacares)	39.144	11,413.83	0.00343
030240	Tunas (of the genus Thunnus) skipjack or stripe-bellied bonito (Euthynnus (Katsuwonus) pelamis), excluding livers and roes :- Herrings (Clupea harengus, Clupea pallasii), excluding livers and roes	7	7.054	0.992345
030261	Other fish, excluding livers and roes :-- Sardines (Sardina pilchardus, Sardinops spp.), sardinella (Sardinella spp.), brisling or sprats (Sprattus sprattus)	26.608	26.608	1
030264	Other fish, excluding livers and roes :-- Mackerel (Scomber scombrus, Scomber australasicus, Scomber japonicus)	0.62	50.323	0.01232
030269	Other fish, excluding livers and roes :-- Other	25.808	4,994.00	0.005168
030342	Tunas (of the genus Thunnus), skipjack or stripe-bellied bonito (Euthynnus (Katsuwonus) pelamis), excluding livers and roes :-- Yellowfin tunas (Thunnus albacares)	1015.029	20,100.11	0.050499
030371	Other fish, excluding livers and roes :-- Sardines (Sardina pilchardus, Sardinops spp.), sardinella (Sardinella spp.), brisling or sprats (Sprattus sprattus)	106.432	106.432	1
030379	Other	130.319	7,950.98	0.01639
030410	Fresh or chilled	1088.66	4,746.12	0.229379
030420	Frozen fillets	413.125	5,726.84	0.072138
030490	Other	4	1,100.96	0.003633

030549	Smoked fish, including fillets :-- Other	0.133	1,725.34	7.71E-05
030559	Dried fish, whether or not salted but not smoked :-- Other	16.599	1,431.31	0.011597
030613	Frozen :-- Shrimps and prawns	3077.674	80,342.93	0.038307
030623	Not frozen :-- Shrimps and prawns	166.42	13,112.58	0.012692
030710	Oysters	470.749	626.983	0.750816
030741	Cuttle fish (Sepia officinalis, Rossia macrosoma, Sepiola spp.) and squid (Ommastrephes spp., Loligo spp., Nototodarus spp., Sepioteuthis spp.) :-- Live, fresh or chilled	66.8	352.283	0.18962
030749	Cuttle fish (Sepia officinalis, Rossia macrosoma, Sepiola spp.) and squid (Ommastrephes spp., Loligo spp., Nototodarus spp., Sepioteuthis spp.) :-- Other	62.438	13,007.09	0.0048
030759	Octopus (Octopus spp.) :-- Other	2063.318	21,874.42	0.094326
030799	Other, including flours, meals and pellets of aquatic invertebrates other than crustaceans, fit for human consumption :-- Other	1.677	8,990.08	0.000187
040210	In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5 %	3.88	622.263	0.006235
040229	In powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5 % :-- Other	4.827	73,902.29	6.53E-05
040291	Other :-- Not containing added sugar or other sweetening matter	14.09	227.817	0.061848
040630	Processed cheese, not grated or powdered	25.835	812.984	0.031778
050690	Other	0.2	35.857	0.005578
050800	Coral and similar materials, unworked or simply prepared but not otherwise worked; shells of molluscs, crustaceans or echinoderms and cuttle-bone, unworked or simply prepared but not cut to shape, powder and waste there	605.567	3,107.23	0.19489
050900	Natural sponges of animal origin.	62.845	253.282	0.248123
051191	Other :- Egg yolks :-- Products of fish or crustaceans, molluscs or other aquatic invertebrates; dead animals of Chapter 3	0.1	178.693	0.00056
051199	Other	9.935	112.637	0.088204
060120	Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, in growth or in flower; chicory plants and roots	6.6	18.673	0.353452
060290	Other	260.297	1,488.72	0.174846
060310	Fresh	73.191	139.161	0.525945

060390	Other	33.175	65.393	0.507317
060491	Other :- Egg yolks :-- Fresh	17.087	539.113	0.031695
060499	Other	36.103	101.222	0.356671
070320	Garlic	6	1,960.02	0.003061
070990	Other	27.451	14,482.64	0.001895
071290	Other vegetables; mixtures of vegetables	0.261	103.02	0.002533
071410	Manioc (cassava)	19.907	746.048	0.026683
071490	Other	2.732	312.099	0.008754
080111	Coconuts :-- Desiccated	49406.958	127,076.34	0.388797
080119	Coconuts :-- Other	94.763	1,023.53	0.092584
080300	Bananas, including plantains, fresh or dried.	243.186	362,590.23	0.000671
080430	Pineapples	159.345	43,359.41	0.003675
080450	Guavas, mangoes and mangosteens	346.727	33,076.52	0.010483
080590	Other	0.18	5.653	0.031842
081090	Other	2.668	65.678	0.040622
081190	Other	881.09	2,914.64	0.302298
081350	Mixtures of nuts or dried fruits of this Chapter	6.972	257.472	0.027079
090411	Pepper :-- Neither crushed nor ground	0.8	48.956	0.016341
090500	Vanilla.	0.025	38.558	0.000648
091010	Ginger	16.8	1,596.30	0.010524
110230	Rice flour	2.441	31.266	0.078072
110620	Of sago or of roots or tubers of heading No. 07.14	16.03	183.993	0.087123
110812	Starches :-- Maize (corn) starch	0.144	2.914	0.049417
120999	Other	0.05	1,373.05	3.64E-05
121190	Other	28.883	287.059	0.100617
121220	Seaweeds and other algae	7213.191	28,629.08	0.251953
121299	Other	3.701	80.191	0.046152
130190	Other	266.494	420.908	0.633141
130239	Mucilages and thickeners, whether or not modified, derived from vegetable products :	18067.713	43,407.66	0.416233
140110	Bamboos	21.313	73.334	0.290629
140190	Other	17.934	49.185	0.364623
140390	Other	9	18.7	0.481283
151311	Coconut (copra) oil and its fractions :-- Crude oil	330202.243	482,754.31	0.683996
151319	Coconut (copra) oil and its fractions :-- Other	6922.215	174,462.36	0.039677
151620	Vegetable fats and oils and their fractions	0.177	105.15	0.001683
151710	Margarine, excluding liquid margarine	1.45	184.465	0.007861
151790	Other	0.4	101.27	0.00395
160100	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products.	3.356	228.317	0.014699
160220	Of liver of any animal	19.057	116.808	0.163148

160241	Of swine :-- Hams and cuts thereof	1.9	3.459	0.549292
160249	Of swine :-- Other, including mixtures	4.827	528.749	0.009129
160250	Of bovine animals	9.517	1,257.17	0.00757
160290	Other, including preparations of blood of any animal	3.661	16.915	0.216435
160413	Fish, whole or in pieces, but not minced :-- Sardines, sardinella and brisling or sprats	999.571	6,594.04	0.151587
160414	Fish, whole or in pieces, but not minced :-- Tunas, skipjack and bonito (Sarda spp.)	22991.886	65,449.46	0.351292
160415	Fish, whole or in pieces, but not minced :-- Mackerel	1.433	461.651	0.003104
160419	Fish, whole or in pieces, but not minced :-- Other	69.918	983.24	0.07111
160420	Other prepared or preserved fish	45.561	561.542	0.081136
160510	Crab	1	29,972.08	3.34E-05
160540	Other crustaceans	158.33	1,611.21	0.098268
160590	Other	18.911	1,372.87	0.013775
170111	Raw sugar not containing added flavouring or colouring matter :-- Cane sugar	711.044	66,264.82	0.01073
170199	Other	0.55	907.328	0.000606
170290	Other, including invert sugar	17.174	366.001	0.046923
170410	Chewing gum, whether or not sugar-coated	33.979	22,158.51	0.001533
170490	Other	1516.955	7,307.16	0.207598
180310	Not defatted	176	267.146	0.658816
180400	Cocoa butter, fat and oil.	569.05	2,703.60	0.210478
180610	Cocoa powder, containing added sugar or other sweetening matter	14.633	1,732.13	0.008448
180690	Other	2.84	236.219	0.012023
190120	Mixes and doughs for the preparation of bakers' wares of heading No. 19.05	20.76	883.557	0.023496
190190	Other	27.833	19,822.99	0.001404
190211	Uncooked pasta, not stuffed or otherwise prepared :-- Containing eggs	264.527	2,390.82	0.110643
190219	Uncooked pasta, not stuffed or otherwise prepared :-- Other	200.471	3,371.12	0.059467
190230	Other pasta	980.234	7,850.55	0.124862
190300	Tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or in similar forms.	1.774	69.746	0.025435
190410	Prepared foods obtained by the swelling or roasting of cereals or cereal products	34.849	14,736.80	0.002365
190420	Prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted cereal flakes and roasted cereal flakes or swelled cereals	5.749	86.086	0.066782
190520	Gingerbread and the like	5.152	292.695	0.017602

190530	Sweet biscuits; waffles and wafers	26.173	6,157.49	0.004251
190540	Rusks, toasted bread and similar toasted products	26.984	576.93	0.046772
190590	Other	955.237	27,799.03	0.034362
200110	Cucumbers and gherkins	0.541	8.726	0.061999
200190	Other	8.05	1,924.96	0.004182
200290	Other	0.189	19.643	0.009622
200490	Other vegetables and mixtures of vegetables	23.873	756.976	0.031537
200510	Homogenised vegetables	0.306	14.374	0.021288
200540	Peas (Pisum sativum)	0.508	134.763	0.00377
200559	Beans (Vigna spp., Phaseolus spp.) :-- Other	90.601	798.002	0.113535
200580	Sweet corn (Zea mays var. saccharata)	0.59	11.6	0.050862
200590	Other vegetables and mixtures of vegetables	7.431	106.136	0.070014
200799	Other	406.93	11,949.83	0.034053
200811	Nuts, ground-nuts and other seeds, whether or not mixed together :-- Ground-nuts	177.213	1,109.94	0.15966
200819	Nuts, ground-nuts and other seeds, whether or not mixed together :-- Other, including mixtures	562.977	1,867.26	0.301499
200820	Pineapples	21992.894	109,525.09	0.200802
200860	Cherries	13.685	1,444.69	0.009473
200870	Peaches	7.28	2,832.59	0.00257
200892	Other, including mixtures other than those of subheading No. 2008.19 :-- Mixtures	1120.939	30,525.48	0.036721
200899	Other, including mixtures other than those of subheading No. 2008.19 :-- Other	12424.556	37,551.54	0.330867
200919	Orange juice :-- Other	101.311	590.997	0.171424
200930	Juice of any other single citrus fruit	8.093	540.675	0.014968
200940	Pineapple juice	11183.262	51,396.19	0.217589
200980	Juice of any other single fruit or vegetable	2927.88	15,087.96	0.194054
200990	Mixtures of juices	211.044	2,866.63	0.073621
210111	Extracts, essences and concentrates, of coffee, and preparations with a basis of these extracts, essences or concentrates or with a basis of coffee :-- Extracts, essences and concentrates	85.3	85.3	1
210112	Extracts, essences and concentrates, of coffee, and preparations with a basis of these extracts, essences or concentrates or with a basis of coffee :-- Preparations with a basis of extracts, essences or concentrates or	1636.649	6,234.66	0.262508
210120	Extracts, essences and concentrates, of tea or mat,, and preparations with a basis of these extracts, essences or concentrates or with a basis of tea or mat,	33.421	1,187.07	0.028154
210230	Prepared baking powders	0.735	360.36	0.00204

210310	Soya sauce	299.929	3,030.57	0.098968
210320	Tomato ketchup and other tomato sauces	31.368	192.657	0.162818
210390	Other	918.317	11,753.58	0.078131
210410	Soups and broths and preparations therefor	235.512	2,781.40	0.084674
210500	Ice cream and other edible ice, whether or not containing cocoa.	0.085	3,601.58	2.36E-05
210610	Protein concentrates and textured protein substances	27.881	72.29	0.385683
210690	Other	1472.891	31,123.76	0.047324
220210	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	594.238	5,756.69	0.103226
220290	Other	105.598	405.033	0.260715
220300	Beer made from malt.	25.962	8,847.62	0.002934
220720	Ethyl alcohol and other spirits, denatured, of any strength	1.779	1,108.60	0.001605
220840	Rum and tafia	0.201	1,706.07	0.000118
220900	Vinegar and substitutes for vinegar obtained from acetic acid.	225.696	2,608.84	0.086512
230890	Other	14.16	1,150.25	0.01231
230990	Other	156.168	2,813.15	0.055514
240110	Tobacco, not stemmed/stripped	654.697	3,875.78	0.16892
240120	Tobacco, partly or wholly stemmed/stripped	4859.697	25,994.48	0.186951
240130	Tobacco refuse	100.069	992.793	0.100795
240210	Cigars, cheroots and cigarillos, containing tobacco	962.973	6,382.87	0.150868
240220	Cigarettes containing tobacco	348.833	102,732.18	0.003396
240391	Other :-- "Homogenised" or "reconstituted" tobacco	34.2	2,144.49	0.015948
240399	Other	0.15	492.592	0.000305
330129	Essential oils other than those of citrus fruit :-- Other	113.313	3,495.67	0.032415
350190	Other	76.3	76.3	1
350300	Gelatin (including gelatin in rectangular (including square) sheets, whether or not surface-worked or coloured) and gelatin derivatives; isinglass; other glues of animal origin, excluding casein glues of heading No. 35.01.	27.655	176.327	0.156839
350510	Dextrins and other modified starches	0.144	60.643	0.002375
520299	Other	19.543	223.094	0.0876

*Share = Trade value of product going to the EU/Total trade value of product

Appendix C.
DESTINATIONS OF TOP PHILIPPINE AGRICULTURAL EXPORTS TO THE EU

Table 3. Destinations of crude oil

Product Code	Member country	Trade Value	Share in EU Imports*
151311	Netherlands	293,519.2	0.8889
151311	Italy	23,683.04	0.0717
151311	Germany	5,936.88	0.0180
151311	Spain	3,384.984	0.0103
151311	Greece	2,258.1	0.0068
151311	France	1,420	0.0043

* Share = Trade value of Philippine exports of the product to the member country/Trade value of Philippine exports of the product to the EU

Table 4. Destinations of desiccated coconuts

Product Code	Member country	Trade Value	Share in EU Imports
080111	Untd.Kingdom	12,787.75	0.2588
080111	Netherlands	10,189.59	0.2062
080111	Belgium	9,295.422	0.1881
080111	Germany	7,149.14	0.1447
080111	France	2,916.047	0.0590
080111	Poland	1,502.148	0.0304
080111	Czech Rep	1,325.404	0.0268
080111	Sweden	938.995	0.0190
080111	Spain	932.891	0.0189
080111	Denmark	767.354	0.0155
080111	Italy	437.534	0.0089
080111	Hungary	319.926	0.0065
080111	Slovenia	252.757	0.0051
080111	Ireland	159.52	0.0032
080111	Greece	120.337	0.0024
080111	Lithuania	115.507	0.0023
080111	Latvia	108.756	0.0022
080111	Finland	41.113	0.0008
080111	Portugal	22.873	0.0005
080111	Malta	14.025	0.0003
080111	Estonia	9.87	0.0002

Table 5. Destinations of tunas, skipjack and bonito

Product Code	Member country	Trade Value	Share in EU Imports
160414	Germany	10,784.69	0.4691
160414	Untd.Kingdom	3,113.003	0.1354
160414	Netherlands	2,235.875	0.0972
160414	Finland	1,793.82	0.0780
160414	Italy	1,348.015	0.0586
160414	Czech Rep	808.772	0.0352
160414	Belgium	607.36	0.0264
160414	Sweden	591.164	0.0257
160414	Greece	383.45	0.0167
160414	Ireland	361.624	0.0157
160414	France	250.792	0.0109
160414	Malta	182.524	0.0079
160414	Spain	125	0.0054
160414	Poland	110.371	0.0048
160414	Denmark	94.78	0.0041
160414	Lithuania	94.131	0.0041
160414	Slovenia	68.326	0.0030
160414	Cyprus	38.188	0.0017

Table 6. Destinations of pineapples

Product Code	Member country	Trade Value	Share in EU Imports
200820	Spain	5,945.398	0.4691
200820	Belgium	3,623.941	0.1354
200820	United.Kingdom	3,133.764	0.0972
200820	Germany	2,729.051	0.0780
200820	Italy	2,210.129	0.0586
200820	Netherlands	2,151.341	0.0352
200820	France	1,080.778	0.0264
200820	Finland	345.946	0.0257
200820	Sweden	343.675	0.0167
200820	Greece	224.468	0.0157
200820	Denmark	169.935	0.0109
200820	Malta	21.112	0.0079
200820	Poland	10.306	0.0054
200820	Cyprus	3.05	0.0048

Table 7. Destinations of mucilages and thickeners

Product Code	Member country	Trade Value	Share in EU Imports
130239	France	5,227.85	0.2893
130239	Untd.Kingdom	3,134.176	0.1735
130239	Belgium	2,739.375	0.1516
130239	Spain	2,067.225	0.1144
130239	Germany	1,973.072	0.1092
130239	Denmark	1,318.415	0.0730
130239	Italy	1,014.082	0.0561
130239	Poland	232.84	0.0129
130239	Netherlands	184.823	0.0102
130239	Portugal	69	0.0038
130239	Finland	62.7	0.0035
130239	Lithuania	41.58	0.0023
130239	Austria	2.575	0.0001

Table 8. Destinations of other fruits and nuts

Product Code	Member country	Trade Value	Share in EU Imports
200899	Germany	3,839.27	0.3090
200899	Untd.Kingdom	3,725.229	0.2998
200899	France	2,072.261	0.1668
200899	Netherlands	946.592	0.0762
200899	Sweden	378.141	0.0304
200899	Italy	322.325	0.0259
200899	Czech Rep	217.973	0.0175
200899	Lithuania	203.07	0.0163
200899	Spain	196.706	0.0158
200899	Poland	184.736	0.0149
200899	Latvia	93.035	0.0075
200899	Greece	67.353	0.0054
200899	Belgium	64.639	0.0052
200899	Portugal	49.968	0.0040
200899	Denmark	32.403	0.0026
200899	Estonia	24.255	0.0020
200899	Ireland	6.6	0.0005

Table 9. Destinations of pineapple juice

Product Code	Member country	Trade Value	Share in EU Imports
200940	Netherlands	7,676.253	0.6864
200940	Spain	1,297.938	0.1161
200940	Untd.Kingdom	826.888	0.0739
200940	Belgium	566.61	0.0507
200940	France	500.066	0.0447
200940	Cyprus	154.321	0.0138
200940	Greece	116.701	0.0104
200940	Italy	34.509	0.0031
200940	Poland	6.976	0.0006
200940	Ireland	3	0.0003

Table 10. Destinations of seaweeds and other algae

Product Code	Member country	Trade Value	Share in EU Imports
121220	France	3,981.376	0.5520
121220	Belgium	963.945	0.1336
121220	Spain	770.062	0.1068
121220	Untd.Kingdom	615.472	0.0853
121220	Ireland	403.457	0.0559
121220	Portugal	237.615	0.0329
121220	Germany	100.825	0.0140
121220	Netherlands	80.748	0.0112
121220	Italy	59.691	0.0083

Table 11. Destinations of other copra oil

Product Code	Member country	Trade Value	Share in EU Imports
151319	Netherlands	4,107.842	0.593429
151319	France	2752	0.397561
151319	Belgium	44.778	0.006469
151319	Lithuania	17.595	0.002542

Appendix D.
UNCTAD CODING SYSTEM OF TRADE CONTROL MEASURES

Table 12. UNCTAD Coding System of Trade Control Measures

Code	Description
1000	TARIFF MEASURES
1100	Statutory Custom Duties
1200	MFN Duties
1300	GATT Ceiling Duties
1400	TARIFF Quota Duties
1410	Low duties
1420	High duties
1500	Seasonal Duties
1510	Low duties
1520	High duties
1600	TEMPORARY REDUCED DUTIES
1700	TEMPORARY INCREASED DUTIES
1710	Retaliatory duties
1720	Urgency and safeguard duties
1900	PREFERENTIAL DUTIES UNDER TRADE AGREEMENTS
1910	Interregional agreements
1920	Regional and sub regional agreements
1930	Bilateral agreements
2000	PARA-TARIFF MEASURES
2100	CUSTOMS SURCHARGES
2200	ADDITIONAL TAXES AND CHARGES
2210	Tax on foreign exchange transactions
2220	Stamp tax
2230	Import license fee
2240	Consular invoice fee
2250	Statistical tax
2260	Tax on transport facilities
2270	Taxes and charges for sensitive product categories
2290	Additional charges n.e.s.
2300	INTERNAL TAXES AND CHARGES LEVIED ON IMPORTS
2310	General sales taxes
2320	Excise taxes
2370	Taxes and charges for sensitive product categories
2390	Internal taxes and charges levied on imports n.e.s.
2400	DECREED CUSTOMS VALUATION
2900	PARA-TARIFF MEASURES N.E.S.
3000	PRICE CONTROL MEASURES
3100	ADMINISTRATIVE PRICING
3110	Minimum import prices
3190	Administrative pricing n.e.s.

3200 VOLUNTARY EXPORT PRICE RESTRAINT
3300 VARIABLE CHARGES
3310 Variable levies
3320 Variable components
3330 Compensatory elements
3340 Flexible import fees
3390 Variable charges n.e.s
3400 ANTIDUMPING MEASURES
3410 Antidumping investigations
3420 Antidumping duties
3430 Price undertakings
3500 COUNTERVAILING MEASURES
3510 Countervailing investigations
3520 Countervailing duties
3530 Price undertakings
3900 PRICE CONTROL MEASURES N.E.S.
4000 FINANCE MEASURES
4100 ADVANCE PAYMENT REQUIREMENTS
4110 Advance import deposit
4120 Cash margin requirement
4130 Advance payment of customs duties
4170 Refundable deposits for sensitive product categories
4190 Advance payment requirements n.e.s.
4200 MULTIPLE EXCHANGE RATES
RESTRICTIVE OFFICIAL FOREIGN EXCHANGE
4300 ALLOCATION
4310 Prohibition of foreign exchange allocation
4320 Bank authorization
4390 Restrictive official foreign exchange allocation n.e.s
REGULATIONS CONCERNING TERMS OF PAYMENT
4500 FOR IMPORTS
4600 TRANSFER DELAYS, QUEUING
4900 FINANCE MEASURES N.E.S.
5000 AUTOMATIC LICENSING MEASURES
5100 AUTOMATIC LICENCE
5200 IMPORT MONITORING
5210 Retrospective surveillance
5220 Prior surveillance
5270 Prior surveillance for sensitive product categories
5700 SURRENDER REQUIREMENT
5900 AUTOMATIC LICENSING MEASURES N.E.S.
6000 QUANTITY CONTROL MEASURES
6100 NON-AUTOMATIC LICENSING
6110 License with no specific ex-ante criteria
6120 License for selected purchasers
6130 License for specified use

6131 Linked with export trade
6132 For purposes other than exports
6140 License linked with local production
6141 Purchase of local goods
6142 Local content requirement
6143 Barter or counter trade
6150 License linked with non-official foreign exchange
6151 External foreign exchange
6152 Importers' own foreign exchange
6160 License combined with or replaced by special import authorization
6170 Prior authorization for sensitive product categories
6180 License for political reasons
6190 Non-automatic licensing n.e.s.
6200 QUOTAS
6210 Global quotas
6211 Unallocated
6212 Allocated to exporting countries
6220 Bilateral quotas
6230 Seasonal quotas
6240 Quotas linked with export performance
6250 Quotas linked with purchase of local goods
6270 Quotas for sensitive product categories
6280 Quotas for political reasons
6290 Quotas n.e.s.
6300 PROHIBITIONS
6310 Total prohibition
6320 Suspension of issuance of licenses
6330 Seasonal prohibition
6340 Temporary prohibition
6350 Import diversification
6370 Prohibition for sensitive product categories
6380 Prohibition for political reasons (embargo)
6390 Prohibitions n.e.s.
6600 EXPORT RESTRAINT ARRANGEMENTS
6610 Voluntary export restraint arrangements
6620 Orderly marketing arrangements
6630 Multiform arrangement (MFA)
6631 Quota agreement
6632 Consultation agreement
6633 Administrative co-operation agreement
6640 Export restraint arrangements on textiles outside MFA
6641 Quota agreement
6642 Consultation agreement
6643 Administrative co-operation agreement
6690 Export restraint arrangements n.e.s.

6710 Selective approval of importers
6700 ENTERPRISE-SPECIFIC RESTRICTIONS
6720 Enterprise-specific quota
6790 Enterprise-specific restrictions n.e.s.
6900 Quantity Control Measures n.e.s.
7000 MONOPOLISTIC MEASURES
7100 SINGLE CHANNEL FOR IMPORTS
7110 State trading administration
7120 Sole importing agency
7170 Single channel for sensitive product categories
7200 COMPULSORY NATIONAL SERVICES
7210 Compulsory national insurance
7220 Compulsory national transport
7900 MONOPOLISTIC MEASURES N.E.S.
8000 TECHNICAL MEASURES
8100 TECHNICAL REGULATIONS
8110 Product characteristics requirements
8120 Marking requirements
8130 Labeling requirements
8140 Packaging requirements
8150 Testing, inspection and quarantine requirements
8160 Information requirements
8170 Requirement relative to transit
8180 Requirement to pass through specified customs
8190 Technical regulations n.e.s.
8200 PRE-SHIPMENT INSPECTION
8300 SPECIAL CUSTOMS FORMALITIES
8400 RETURN OBLIGATION
8900 TECHNICAL MEASURES N.E.S.

Appendix E.
NAMA INVENTORY OF NON-TARIFF MEASURES

Table 13. NAMA Inventory of Non-Tariff Measures

I. Government Participation in Trade and Restrictive Practices Tolerated by Government

A. Government aids, including subsidies and tax benefits

B. Countervailing duties
C. Government procurement
D. Restrictive practices tolerated by governments
E. State trading, government monopoly practices, etc

II. Customs and Administrative Entry Procedures

A. Anti-dumping duties
B. Customs valuation
C. Customs classification
D. Consular formalities and documentation
E. Samples
F. Rules of origin
G. Customs formalities
H. Import licensing
I. Pre-shipment inspection

III. Technical Barriers to Trade

A. General
B. Technical regulations and standards
C. Testing and certification arrangements

IV. Sanitary and Phytosanitary Measures

A. General
B. SPS measures including chemical residue limits, disease freedom, specified product treatment, etc.
C. Testing, certification and other conformity assessment

IV. Specific Limitations

A. Quantitative restrictions
B. Embargoes and other restrictions of similar effect

C. Screen-time quotas and other mixing regulations
D. Exchange controls
E. Discrimination resulting from bilateral agreements

F. Discriminatory sourcing

Appendix F.
PHILIPPINE EXPORTS FACING NTMS IN THE EU

Table 14. Philippine Exports Facing NTMs in the EU

Product Code	Description	NTM Code*	Trade Value ($ '000)
010600	Other live animals.	6175	418.357
030110	Ornamental fish	6175	467.6
030199	Other live fish :-- Other	6175	6
030269	Other fish, excluding livers and roes :-- Other	6175	25.808
030379	Other	6175	130.319
030410	Fresh or chilled	6175, 6371	1,088.66
030420	Frozen fillets	6175, 6371	413.125
030490	Other	6175	4
030549	Smoked fish, including fillets :-- Other	6175	0.133
030559	Dried fish, whether or not salted but not smoked :-- Other	6175, 6371	16.599
030799	Other, including flours, meals and pellets of aquatic invertebrates other than crustaceans, fit for human consumption :-- Other	6175	1.677
040210	In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5 %	5220	3.88
040229	In powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5 % :-- Other	5220	4.827
040291	Other :-- Not containing added sugar or other sweetening matter	5220	14.09
040630	Processed cheese, not grated or powdered	5220	25.835
051191	Other :- Egg yolks :-- Products of fish or crustaceans, molluscs or other aquatic invertebrates; dead animals of Chapter 3	6175	0.1
051199	Other	6175	9.935
060120	Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, in growth or in flower; chicory plants and roots	6175	6.6
060290	Other	6175	260.297
060390	Other	6175	33.175
060491	Other :- Egg yolks :-- Fresh	6175	17.087
060499	Other	6175	36.103
070990	Other	5220, 6110	27.451
071290	Other vegetables; mixtures of vegetables	5220	0.261
071410	Manioc (cassava)	5220	19.907
071490	Other	5220	2.732
080300	Bananas, including plantains, fresh or dried.	5220, 8110, 8150	243.186
081190	Other	5220	881.09
110230	Rice flour	5220	2.441

	Of sago or of roots or tubers of heading No.		
110620	07.14	5220	16.03
110812	Starches :-- Maize (corn) starch	5220	0.144
130190	Other	6175	266.494
160250	Of bovine animals	5220	9.517
	Other, including preparations of blood of any		
160290	animal	5220, 6175	3.661
	Fish, whole or in pieces, but not minced :--		
160414	Tunas, skipjack and bonito (Sarda spp.)	6310	22,991.886
160419	Fish, whole or in pieces, but not minced :-- Other	6175	69.918
160420	Other prepared or preserved fish	6310, 6175	45.561
160590	Other	6175	18.911
	Raw sugar not containing added flavouring or		
170111	colouring matter :-- Cane sugar	5220	711.044
170199	Other	5220	0.55
170290	Other, including invert sugar	5220	17.174
170490	Other	5210	1,516.955
190190	Other	8111, 8131	27.833
	Uncooked pasta, not stuffed or otherwise		
190211	prepared :-- Containing eggs	8111, 8131	264.527
	Uncooked pasta, not stuffed or otherwise		
190219	prepared :-- Other	8111, 8131	200.471
190230	Other pasta	8111, 8131	980.234
	Prepared foods obtained by the swelling or		
190410	roasting of cereals or cereal products	8111, 8131	34.849
	Prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted cereal flakes and roasted cereal flakes or swelled		
190420	cereals	8111, 8131	5.749
190530	Sweet biscuits; waffles and wafers	8111, 8131	26.173
190540	Rusks, toasted bread and similar toasted products	8111, 8131	26.984
190590	Other	8111, 8131	955.237
200190	Other	5220	8.05
200290	Other	5220	0.189
200860	Cherries	5220	13.685
200870	Peaches	5220	7.28
210410	Soups and broths and preparations therefor	6175	235.512
210690	Other	5220	1,472.891
230890	Other	5220	14.16
230990	Other	5220, 6175	156.168
	Total trade value		34,259.112
	Percent of total Philippine exports to the EU (Percent of total agriculture exports)		0.49% (6.6%)

*Refer to Appendix D, which describes each code.

Appendix G.

OTHER CERTIFICATION PROGRAMS IN THE PHILIPPINES

G.1International Veterinary Certificate

The National Veterinary Quarantine Services (NVQS) of the Bureau of Animal Industry (BAI) of the Department of Agriculture issues the Veterinary Health Certificate (IVC) for every shipment of animal products and by-products. Like the Phytosanitary Certificate, this document attests to product's compliance with the requirements of the importing country as regards animal health and veterinary services. [30] To acquire an IVC, exporters are also required to submit permits listing the specific health requirements of the importing countries to the NVQS. A specifically formatted farm profile is also required, as well as an Official Meat Inspection Certificate (OMIC) from the National Meat Inspection Service (NMIS) for meat and meat products. The Terrestial Animal Health Code by the World Organization for Animal Health (OIE) is the BAI's standard reference

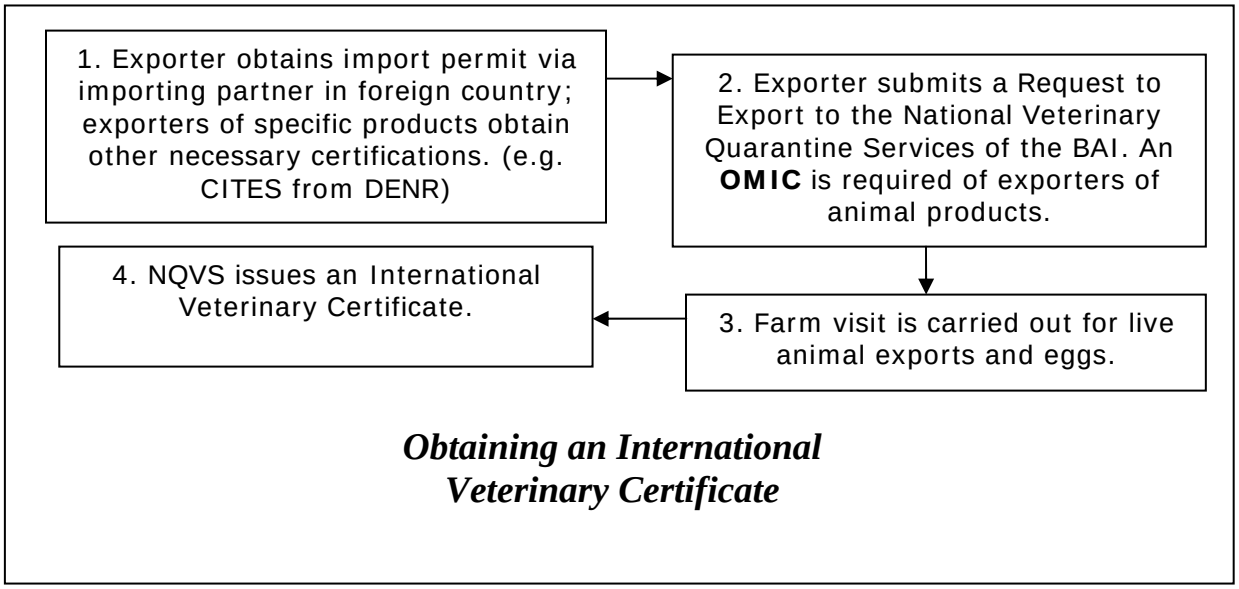
In addition to meeting the health requirements of other countries, the farm of origin must be inspected by the staff of the Animal Health Division of the BAI every six months. This inspection takes a full day and must be scheduled with the NVQS ahead of time. The farms must be free from OIE List A diseases[31] as well as specific diseases in the Philippines. The farm veterinarian must also issue a sworn statement, attesting that no infectious diseases occurred in the farm or within a 50 km radius for a period of at least 90 days prior to export.

A single-use IVC costs PhP100.

[30] Because the processing of an Export Permit/IVC via the BAI may be time-consuming, some firms opt to acquire Food Export/Commodity Clearances from the Bureau of Food and Drug Administration (BFAD) of the Department of Agriculture instead. This is considered an acceptable alternative by some countries and importers. In this case, no laboratory analyses or farm visits are undertaken. Instead, samples are simply subjected to a quick and simple ocular inspection.

[31] These include: Foot and mouth disease, classical swine fever, vesicular stomatitis, swine vesicular disease, peste de petits ruminants, contagious bovine pleuropneumonia, lumpy skin disease, rift valley fever, bluetongue, sheep pox and goat pox, African horse sickness and African swine fever.

Box 1. Procedures in Obtaining an International Veterinary Certificate



G.2 Official Meat Inspection Certificate

The Official Meat Inspection Certificate (OMIC) is issued by the Import-Export Division of the National Meat Inspection Service (NMIS) of the Bureau of Animal Industry (BAI). The document vouches for the quality and safety of meat and meat products, as well as their fitness for human consumption.

Before an OMIC may be issued, however, the Plant Operation Inspection Division (POID) of the NMIS must first certify the individual *products* of the exporter. Because the Hazard Analysis Critical Control Point (HACCP) Program was adopted by the World Health Organization and the Food and Agriculture Organization as the basic SPS standard for all food producers in every country, the Department of Agriculture deemed it mandatory that all 'AAA' accredited meat establishments[32] receive HACCP certification. To obtain an HACCP, the establishments must submit the requisite documentation packets regarding their history of production processes. They also face an on-site audit conducted by the POID to ensure that they are compliant in all the critical areas. The HACCP Programs of these plants must have a designated coordinator, with an appropriately trained staff to facilitate the necessary practices[33]. On-site inspections are conducted twice a year. The HACCP Certification is valid for one year and costs PhP5,000.

[32] An 'AAA' accreditation for a meat establishment verifies that its products are export quality. It also means that the plant is already Good Manufacturing Practices (GMP)/ Sanitation Standard Operating Procedures (SSOP)-certified. The eight key areas of SSOP include the safety of water, condition/cleanliness of food contact surfaces, prevention of cross contamination, handwashing, sanitizing facilities, protection of food adulteration, proper labeling and storages, control of employee health condition and exclusion of pets.

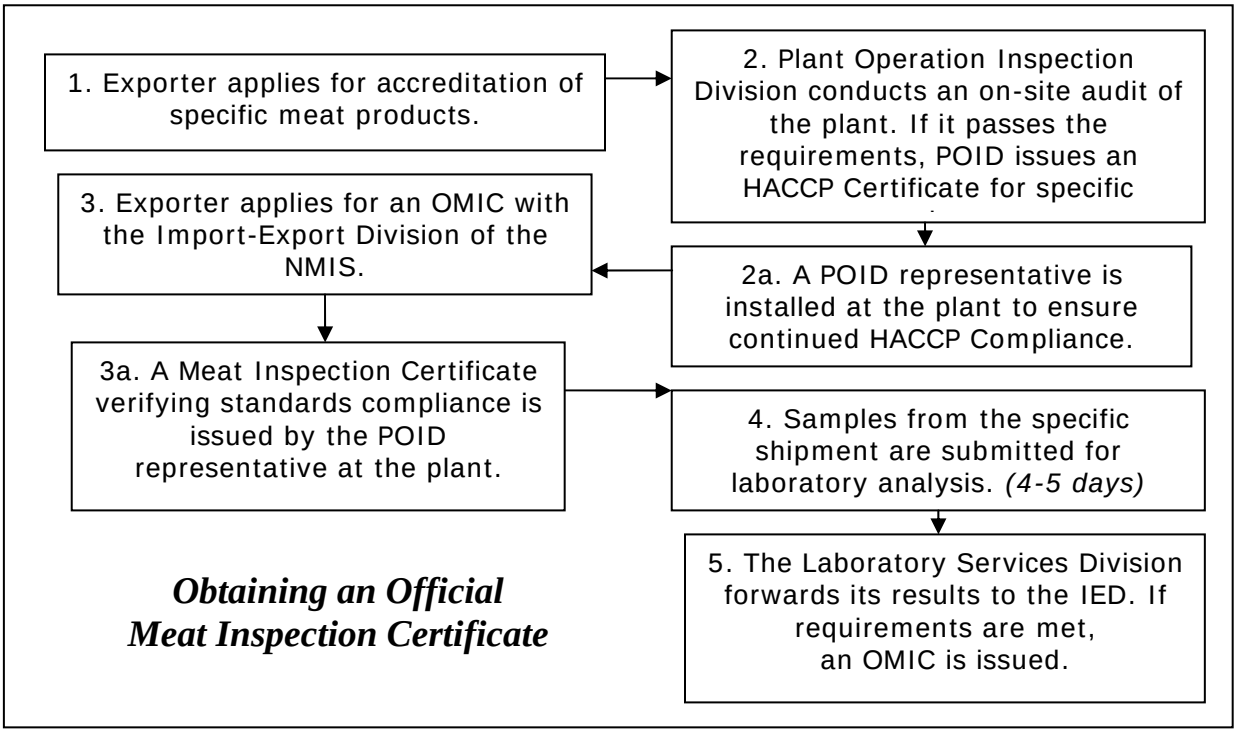
[33] The eight key areas of SSOP include the safety of water, condition/cleanliness of food contact surfaces, prevention of cross contamination, handwashing, sanitizing facilities, protection of food adulteration, proper labeling and storages, control of employee health condition and exclusion of pets.

To ensure continued compliance, a POID officer oversees the manufacturing processes occurring at inspected plants. After each process, a Meat Inspection Certificate, apart from the OMIC, is passed onto the Import-Export Division (IED) of the NMIS. Official certification for export is partly based on this certificate .

Laboratory analysis is the OMIC's second basis. In this case, per International Standards Organization (ISO) regulations, ten samples per product per shipment must be submitted to the Laboratory Services Division of the NMIS. The main laboratory and its satellite labs in the different regions of the country are accredited to conduct these tests. A five-day analysis is normally undertaken, after which results are forwarded to the IED to be used in the issuance of the OMIC. Some countries require these results to be attached to the rest of the documentation. The laboratory charges PhP350 per sample (or P3,500 per product) analyzed.

An OMIC is normally issued one to two days after laboratory results come in. A single-use certificate costs PhP75.

Box 2. Procedures in Obtaining an Official Meat Inspection Certificate



G.3 CITES Permit

For exotic plants and animals, the Protected Areas and Wildlife Bureau (PAWB) of the Department of Environment and Natural Resources issues a Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) Permit that certifies that the export

products are neither endangered nor wild-collected. Both the BPI and the BAI require this permit prior to issuance of their respective certificates for certain products .Further, without a CITES permit, confiscation of specific products is highly likely once these land on foreign shores. The permit is easy to obtain, however, and only requires a simple ocular inspection of the product. PAWB officers are acquainted with the list of endangered and wild-collected species and can make their judgments accordingly.

G.3 Halal Certificate

As of December 2004, the Philippine Overseas Employment Agency estimates that almost 1.6 million Filipinos were working in the Middle East, comprising 20% of the total number of Filipinos abroad. As such, a huge market exists for Philippine food products in the region. Partly for this reason, many exporters have familiarized themselves with the *Halal* certificate.

Like the ISO or the HACCP Certificate, the *Halal* certificate is an assurance of quality. A *Halal*-accredited company must adhere to particular requirements at specific critical control points in the production process.[34] On the other hand, a *Halal*-certified product assures that the good underwent specific, agreeable procedures and is uncontaminated by ingredients considered harmful by Muslims. The technical aspect of *Halal* certification focuses on the audit and ocular inspection of manufacturing and processing plants together with laboratory analysis of the product .

As a whole, the *Halal* certification process consists of six separate steps, namely: 1) . Document verification regarding the *Halal* critical points; 2) Ocular inspection of the plant; 3) Laboratory analysis of samples;[35] 4) Religious classification, 5) Monitoring of *Halal*-certified products; and 6) Promotion.

Precisely because *Halal* is a religious activity, it's fourth component distinguishes it from other standards certification,. The process includes an authority in Islam praying over the product, thereby limiting issuance of certification to religious organizations or persons.

Because there are hundreds of Muslim NGOs in the country, though, up until four years ago, there was no proper process in place for official certification.. Any individual or group could claim to be religious and charge exorbitant amounts for a certification that did not follow any protocols. President Gloria Macapagal-Arroyo attempted to remedy the situation through Executive Order 46, a law authorizing the Office of Muslim Affairs under the Office of the President to undertake *Halal* certification. It was eventually nullified by the Supreme Court, however, because *Halal* is officially a religious matter and any attempt by government to take charge or regulate it will violate the principle of the separation of the Church and State.

[34] These control points refer to raw materials, processing, packaging and labeling, storage, in-house laboratory services, transportation facilities, maintenance and management.

[35] In other countries, the ocular inspection and laboratory analysis for 'Halalness' are undertaken four times a year. Monitoring is less stringent in the Philippines, however, and this process only occurs once a year, every time the Halal certificate is due for renewal. The differences between countries are allowable because there is no specific legal basis for Halal at the moment and there are no treaties signed between governments requiring the certification. Rather, it is a de facto system in place for trading with Muslim countries.

Desirous of ensuring the development of a strong and credible *Halal* certification scheme in the Philippines, however, the OMA sought an alternative by offering technical support to NGOs who engage in *Halal* certifying activities. The *Halal* Technical Assistance Unit of the OMA now provides assistance during ocular inspections and facilitates laboratory testing of products at one of three designated, BFAD-accredited laboratories.

The Office of Muslim Affairs currently recognizes seven non-government organizations who issue *Halal* certificates in the country. These are:

1.) Ulama League of Philippines
2.) Ulama Council of the Philippines
3.) Revival and Propagation of Islamic Heritage Foundation
4.) Sabiel Al-Mohtadeen Foundation
5.) Knowledge Institute and Islamic Culture
6.) Manila Golden Mosque and Cultural Center
7.) Philippine Ulama Congress Organization, Inc.

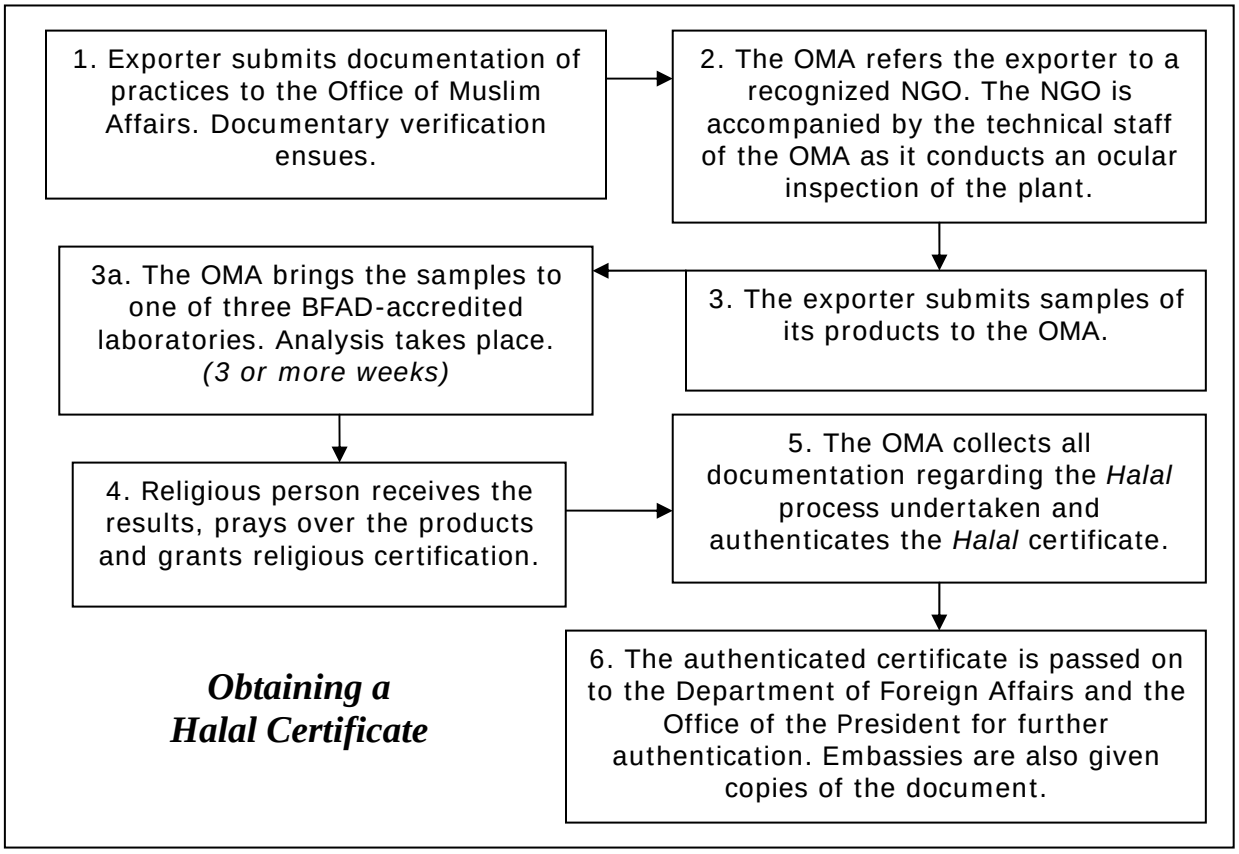
Once the technical analysis has been conducted, the NGO issues the certificate, and the OMA authenticates it. The authentication, duly recognized in Muslim countries around the world, indicates that a recognized religious organization declared the specific product *Halal* and that documentation to this effect is in the custody of the government office.

The *Halal* Certificate must be renewed every year.[36] Because different NGOs issue the certification, there is no fixed price for the process. The OMA reports that certain less reputable groups charge upwards of PhP80,000 for a while-you-wait certification.[37] The OMA-recognized process, on the other hand, only cost between PhP20,000 to PhP30,000 a year. While it takes one to three months, the process is reliable and significantly reduces if not totally eliminates the risk of a product being barred entry at the border,.

Considering that there are 1.5 billion Muslim consumers in 112 countries worldwide who consume an estimated $150-$200 billion[38] annually, the availability of credible Halal certification in the country is very valuable to exporters - some of whom claim that a market worth PhP20-30 million a year opened up for them due to recognition of their '*Halal*ness.'

[36] Shipments over the course of the accredited year simply come with certified true copies of the Halal certification and the OMA authentication.
[37] These groups do not conduct the ocular inspection or laboratory testing that are requirements of the genuine *Halal* certification process.
[38] *Consumers & Business Forum Magazine*.

Box 3. Procedures in Obtaining a Halal Certificate



G.4 Other Certifications

Aside from the HACCP, GMP/SSOP and *Halal*, an ISO stamp is another well-known certification most manufacturing companies aim for. More specifically, the International Standards Organization family of standards delves into quality management systems practiced by firms. A company's ISO Level is often stamped on their products and documentation to signify its quality. In the Philippines, the accredited ISO-certifying bodies include the Bureau of Product Standards of the Department of Trade and Industry, and four private firms: AJA Registrars Inc., Certification International Philippines, Inc., SGS Philippines, Inc. and TUV Philippines, Inc.

Certain countries also require Genetically Modified Organism (GMO) Certificates that either outline the transformation events undertaken by the products or attest that purely traditional methods were used to develop them. These certificates are issued by the exporting companies themselves.